CALIFORNIA FOREST ECOSYSTEMS ACT

Y 4. AG 8/1: 103-81

California Forest Ecosystems Act, S...

HEARING

BEFORE THE

SUBCOMMITTEE ON SPECIALTY CROPS
AND NATURAL RESOURCES

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

H.R. 4068

OCTOBER 6, 1994

Serial No. 103–81

APR 14 1995

Printed for the use of the Committee on Agriculture

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CALIFORNIA FOREST ECOSYSTEMS HEALTH ACT

THURSDAY, OCTOBER 6, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
SUBCOMMITTEE ON SPECIALTY CROPS
AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to call, at 9:45 a.m., in room 1300, Longworth House Office Building, Hon. Calvin M. Dooley (acting chairman) presiding.

Present: Representatives Condit, Clayton, Pomeroy, Emerson, Doolittle, Goodlatte, and Lewis.

Also present: Representative Dooley, member of the committee.

Staff present: Glenda L. Temple, clerk; Alexandra Buell, Jim Davis, Keith Pitts, and Sean Dougherty.

Mr. DOOLEY. I call to order the Specialty Crops and Natural Resources Subcommittee. We are here to review H.R. 4068, the California Forest Ecosystems Health Act.

Also, at this point in the record, I will include a copy of the H.R. 4068 and prepared statements from Mr. Rose and Mr. Emerson.

[H.R. 4068 and the prepared statements of Mr. Rose and Mr. Emerson follow:]

I

103D CONGRESS
2D SESSION

H. R. 4068

To improve the health and productivity of National Forest System lands in the State of California and to demonstrate the use of ecosystem management as a practical management program on such lands.

IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 1994

Mr. LEHMAN introduced the following bill; which was referred jointly to the Committees on Natural Resources and Agriculture

---

A BILL

To improve the health and productivity of National Forest System lands in the State of California and to demonstrate the use of ecosystem management as a practical management program on such lands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "California Forest Ecosystems Health Act".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. Findings.
Sec. 3. Definitions.

Sec. 4. Ecosystem management plans for National Forest System lands in California.
Sec. 5. Process for full implementation of ecosystem management plans.
Sec. 6. Research and monitoring program.
Sec. 7. Miscellaneous requirements.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Although people have had an active part in the development and maintenance of forest structure and the condition of the National Forest System lands in the State of California for many years, recent forest management policies have often resulted in a degeneration of the forest structure and a loss of forest health and vigor.

(2) The Forest Service, through the judicious use of ecosystem management, has an opportunity to reverse these forest management policies and restore the health and vigor of National Forest System lands in California.

(3) Ecosystems are dynamic and in a state of constant change, and it is not possible to preserve a given ecosystem condition in a static state over a period of time.

(4) The many and varied resources and uses of National Forest System lands provide both tangible and intangible benefits to the people of the United States.

(5) Although management of National Forest System lands in California has traditionally placed first priority on the need to produce maximum volumes of timber, the other multiple forest resources and services are equally important to the people of California and the United States.

(6) Ecosystem management must balance the needs of outdoor recreation, range, timber, watershed, fish, and wildlife, as required by the Multiple-Use Sustained-Yield Act of 1960 (16 U.S.C. 528 et seq.), as well as protect soil and air quality and provide for forest research.

(7) National Forest System lands in California include some of the most unique forest ecosystems in the world, including giant sequoias, coastal redwoods, and bristlecone pines.

(8) Destructive forest fires classified by the Forest Service as "intense" have occurred in unprecedented numbers and size on the National Forest System lands in California in recent years, and these fires pose a threat to the very health of the forests and present a danger to human life and property.

(9) The Forest Service, through the judicious use of ecosystem management, has an opportunity to reduce the likelihood that fires classified as "in-

tense'' will occur with such frequency and, at the same time, to improve forest vigor and visitor safety.

(10) Ecosystem management that considers the needs of all species and their ability to interact with the presence of humans can integrate both the conservation needs of the many species of the ecosystems and the multiple use activities of humans.

(11) Identification of sound management options is both a biological issue and a social issue, and the resulting management policies must be socially acceptable, ecologically sustainable, scientifically sound, legally responsible, and economically viable.

(12) The results of management practices in local ecosystems can have a profound effect on the levels of demand for commodity outputs from other ecosystems around the world.

SEC. 3. DEFINITIONS.

For purposes of this Act:

(1) ADAPTIVE MANAGEMENT.—The term ''adaptive management'' means the experimental and monitored application of scientifically derived management decisions to gain knowledge that is then used to improve subsequent management decisions.

(2) ECOSYSTEM.—The term "ecosystem" means a community of organisms and its environment that functions as a unit.

(3) ECOSYSTEM MANAGEMENT.—The term "ecosystem management" means the integration of ecological, economic, and social factors to meet the biological needs of all associated organisms and human needs through diverse, healthy, and productive ecosystems, addressing resource supply, conservation, and demand as opposed to a strategy for managing individual species.

(4) ECOSYSTEM MANAGEMENT PLANS.—The terms "ecosystem management plans" and "plans" mean the ecosystem management plans for National Forest System lands in the State of California required to be developed by section 4(a).

(5) NATIONAL FOREST SYSTEM.—The term "National Forest System" has the meaning given that term in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)).

(6) SERAL STAGES.—The term "seral stages" means the various age or life stages of a vegetative community as it progresses from initial establishment toward a climax stage or equilibrium.

(7) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(8) STAND.—The term "stand" means an area within a forest where the trees have similar characteristics with respect to species composition, size, condition, and age.

(9) VIGOR.—The term "vigor", with respect to forest ecosystems, means the relative health of stands of trees and related vegetation, including their actual growth rates as compared with potential growth rates and their ability to protect themselves naturally from forest pests, diseases, and the effects of natural disaster.

SEC. 4. ECOSYSTEM MANAGEMENT PLANS FOR NATIONAL FOREST SYSTEM LANDS IN CALIFORNIA.

(a) PLANS REQUIRED.—Notwithstanding the planning provisions of section 6 of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1604), the Secretary of Agriculture shall develop and implement ecosystem management plans pursuant to this Act to develop and demonstrate ecosystem management, including adaptive management techniques, for National Forest System lands described in subsection (b).

(b) FEDERAL LANDS COVERED BY PLANS.—The ecosystem management plans required by subsection (a) shall

apply to all management units of the National Forest System located in the State of California. In the case of National Forest System lands in California that have been designated by law for special management before the date of the enactment of this Act, the Secretary shall incorporate into the ecosystem management plans applicable to those lands any statutory provisions that are in effect on such date and applicable to those lands.

(c) PRINCIPLES OF PLANS.—Ecosystem management plans shall embody the following principles:

(1) Application of management techniques that will enhance the health and vigor of the renewable natural resources on the National Forest System lands covered by the plans and provide for the continued protection of the soil, air, and water resources of these lands.

(2) Improvement of the forest ecosystems on these lands toward desired forest conditions that—

(A) provide a mosaic of forest seral stages—

(i) representing a range of wildlife habitats necessary to meet the needs of the species indigenous to the ecosystem being managed; and

(ii) designed in such a way as to obviate the need for corridors or special management areas to meet the needs of given species or situations;

(B) minimize the danger of stand-destroying uncontrolled wildfire;

(C) increase or maintain the health and vigor of stands at a level that will permit the stands to resist naturally, to the greatest degree practicable, insect and disease attacks and the effects of other natural disasters while incorporating the concern that some level of deadwood, both standing and down, is desirable in healthy ecosystems;

(D) maintain the sustainable economic well-being and stability of communities in areas dependent upon national forest resources; and

(E) are developed, to the extent possible, with consideration of the conditions that are known to have existed on these lands or on similar lands before the impacts of European settlement.

(3) Concentration of management activities on the condition of the renewable resources of an ecosystem rather than on producing targeted outputs,

with projected outputs based upon attainment of specific stand conditions.

(4) Emphasis on tangible management results rather than on procedural standards and guidelines, but with development of scientifically credible monitoring standards and guidelines to assess both short- and long-term management results.

(5) Except for any statutory provisions incorporated under subsection (b) with respect to specific lands, prohibition on requiring the allocation or categorization of tracts of land for specific preselected ecosystem management emphases.

(6) Consideration of the habitat needs of all species across a broad landscape using management indicator species whose presence will reflect a suitable amount and distribution of particular habitat elements, rather than concentrating on the needs of single species in a limited area.

(7) Application across the entire unreserved land base in such a manner as to harmonize the various multiple uses.

(8) Incorporation of maximum flexibility in resource decisionmaking through the use of adaptive management.

(d) MANAGEMENT TO PROMOTE DESIRED FOREST CONDITIONS.—

(1) IN GENERAL.—Ecosystem management under the ecosystem management plans shall be planned and practiced in a manner that—

(A) considers the entire landscape in a management unit of the National Forest System covered by a plan; and

(B) benefits, to the extent practicable, all renewable resources and the human resource in or dependent upon the management unit.

(2) INDIVIDUAL PROJECTS.—Individual management projects in a management unit of the National Forest System covered by the ecosystem management plans shall be designed to provide multiresource benefits, promote the desired forest conditions described in subsection (c)(2), and achieve maximum project operating efficiency.

(e) SELECTION OF ACRES FOR ECOSYSTEM MANAGEMENT ACTIVITIES.—

(1) MINIMUM ACRES.—Ecosystem management plans shall specify the minimum number of acres on which ecosystem management activities will be applied annually in any management unit of the National Forest System covered by the plans. Such

acreage shall be determined on the basis of the total number of acres in the management unit, the work to be performed across the unit as a whole during the plan period, and the pro rata annual acreage on which ecosystem management activities must be applied in order to establish and maintain the desired forest condition during the specified plan period.

(2) EFFECT OF NATURAL DISASTERS.—In case of natural disasters, such as wildfire, flood, windthrow, insect or disease attack, a revision of the schedule of acres to be treated may be granted by the Secretary in order to conduct restoration and rehabilitation activities on the acres affected by the natural disaster.

(f) PARTICIPATION IN DEVELOPMENT.—To ensure that the ecosystem management plans are economically, scientifically, and socially acceptable, the Secretary shall develop the plans through the use of public involvement programs that emphasize input from residents of local communities to be affected by the plans. The Secretary shall continue to consult with all interested persons in evaluating or modifying the plans.

SEC. 5. PROCESS FOR FULL IMPLEMENTATION OF ECOSYSTEM MANAGEMENT PLANS.

(a) IMPLEMENTATION.—Beginning not later than January 1, 1995, the Secretary shall begin to implement the ecosystem management plans. The Secretary shall develop and implement the plans progressively over a five-year period to ensure full application of all plans not later than January 1, 2000, to all National Forest System lands described in section 4(b). Upon implementation of an ecosystem management plan for any portion of the lands described in such section, the plan shall replace and supersede any land and resource management plan (or portion of such a plan) then in effect for such lands.

(b) YEARLY EXPANSION.—During each year of the period specified in subsection (a), the Secretary shall expand application of the ecosystem management plans to contiguous areas required to be covered by such plans, as described in section 4(b). To the extent the Secretary considers it to be necessary, the Secretary may modify the ecosystem management plans for each new addition in order to incorporate the lessons gained from experience. Adaptive management shall be used to evaluate management decisions and to develop new information to be used to keep the plans and subsequent management decisions up-to-date.

(c) MODIFICATION OF ECOSYSTEM MANAGEMENT PLANS.—The Secretary shall modify the ecosystem management plans to incorporate findings from research, adaptive management projects, or monitoring to the extent such findings indicate changes in the plans are necessary or appropriate to achieve the principles described in section 4(c). Before the end of the first two years of the period specified in subsection (a), the Secretary shall issue regulations that set forth the process to be used for any modification of the ecosystem management plans.

(d) CONSISTENCY.—Resource plans and permits and other instruments for the use and occupancy of National Forest System lands covered by an ecosystem management plan that are executed subsequent to the implementation date of the plan with respect to such lands shall be consistent with the plan. If the ecosystem management plan is modified, resource plans and permits and other instruments that are executed subsequent to the date of the modification shall be consistent with the modified plan. Appropriate supplemental documents under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) shall be prepared for those resource plans and permits, contracts, and other instruments in existence upon adoption of the ecosystem management plan or any modification of the plan. Any revisions in existing resource

plans and permits, contracts, and other instruments shall be consistent with the supplemental document findings and subject to the agreement of all contractual parties. Any revision in present or future permits, contracts, and other instruments made pursuant to this subsection shall be subject to valid existing rights.

SEC. 6. RESEARCH AND MONITORING PROGRAM.

The Secretary shall describe in detail in the ecosystem management plans and implement as part of the plans a targeted program of research and monitoring aimed at measuring the effects of the management regimes adopted under the plans. The Secretary shall ensure that monitoring is sufficient to measure the responses of the various resources to management practices and to provide a basis for adjustments of subsequent management decisions.

SEC. 7. MISCELLANEOUS REQUIREMENTS.

(a) INCREASED USE OF CERTIFIED PROFESSIONAL PRACTITIONERS.—With respect to National Forest System lands covered by the ecosystem management plans, the Secretary shall endeavor to increase the amount of field work to be done by professional practitioners certified by the Forest Service.

(b) ACCOUNTABILITY PROCEDURES.—The Secretary shall develop accountability procedures to annually meas-

ure and inform the Congress concerning the work (as described in section 4(e)) achieved through the use of funds appropriated each year for National Forest System lands covered by the ecosystem management plans. The selection of acres upon which such work will be performed shall be controlled through the planning process. The accountability procedures required by this subsection shall be established and in operation before the end of the first two years of the period specified in section 5(a) and shall be designed to ensure the accomplishment of the work in accordance with plan direction.

(c) BUDGETARY CONSIDERATIONS.—The Secretary shall develop budgets for each management unit of the National Forest System covered by ecosystem management plans on the basis of estimated benefits to the various resources affected by the ecosystem management activities, and such budgets will be justified on such basis. The Secretary shall provide the managers of these units the flexibility to accomplish over-all objectives within over-all budgets in lieu of requiring and preparing detailed line-item budgets for each unit of work, except that accountability procedures developed under subsection (b) shall include requirements for detailed explanations of expenditures and estimates of benefits for each resource.

OPENING STATEMENT OF CONGRESSMAN CHARLIE ROSE ON HR 4068 - The California Forest Ecosystems Health Act

October 6, 1994

Good morning. I thank everyone for attending today's hearing. The purpose of today's meeting is to consider HR 4068, the California Forest Ecosystems Health Act.

HR 4068 would establish a demonstrative project on National Forest System lands within the State of California. It would require the Forest Service to develop ecosystem management plans that emphasize forest health, community stability and environmental protection.

The Subcommittee on Specialty Crops and Natural Resources is pleased to have the bill's sponsor with us, Congressman Richard Lehman of California. We also have Congressman Wally Herger with us today . I thank you both for being here. I look forward to your testimony, and the testimony of all our witnesses.

BILL EMERSON
MEMBER OF CONGRESS
8TH DISTRICT, MISSOURI

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STATEMENT OF CONGRESSMAN BILL EMERSON
BEFORE THE GENERAL FARM COMMODITIES SUBCOMMITTEE
REVIEW OF CORN AND SOYBEAN PRICES
OCTOBER 6, 1994

Mr. Chairman, I wish to thank you for holding this important forum on a matter crucial to our farming communities. Today, we have the opportunity to examine the current situation in the feed grain and oilseed marketplace for the domestic producer. The current crop outlook for this fall's harvest is presenting many unique challenges to local producers.

Pristine growing conditions in many regions of the country are pushing the 1994 corn crop to more than 9.2 million bushels -- a 45 percent increase over the previous year. Indeed, the value of this crop in the domestic marketplace has many producers rightfully concerned that a bumper crop does not always yield bumper profits. Moreover, the strong link still exists between the profit line for local producers and the role they play in sustaining economic enterprise among various agri-businesses and related Main Street commerce.

Record yields are also predicted for our nation's soybean producers. Indeed, there are few industries that make a greater contribution to reducing our nation's dependence on foreign oil and fossil fuels than the soybean farmer -- along with corn producers. In a business such as agriculture where profit margins are vulnerable to weather and marketing conditions beyond the control of the local producer, the impact of decisions at the federal level, particularly in relation to federal farm programs remain key to the economic livelihood

of hard-working producers throughout the countryside. For example, the continued implementation of federal farm policy, such as ARP or set-aside determinations have a daily consequence on producer profit potential. Today, I hope to learn how we may work to help prevent the further erosion of marginally profitable family farm operations.

Securing the plentiful supply of food and agricultural products for the consumers of this nation and the rest of the world must remain the principal reasoning behind our continued agricultural existence. While the 1990 Farm Law solidified our world position, it is clear that we must take the current farm conditions and crop outlook along with present federal farm programs, and build upon them so that American agriculture will prosper from now till the year 2000 and beyond. Likewise, this will entail a firm commitment from the Administration to protect the investment in our agricultural livelihood nationwide. The economic vitality of our local communities continues to hinge on the success of our agricultural and related industries.

A prosperous rural economy means greater opportunities for the local folks who sell the farm implements, drive the grain and livestock trucks, deliver the feed, market the seed and fertilizer, and process the fruits of our harvest so as to maintain our position as the most efficient and reliable supplier of the world's food needs. Mr. Chairman, I look forward to working with you and the Committee Members in order to achieve this goal.

Mr. DOOLEY. Our first panel is comprised of Mr. Richard Lehman, who is the author of this bill.

STATEMENT OF HON. RICHARD H. LEHMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LEHMAN. Thank you, Mr. Chairman.

I appreciate that the subcommittee has chosen to hold a hearing on H.R. 4068, the California Forest Ecosystems Health Act, which I introduced this Congress.

H.R. 4068 is designed to restore common sense to management of our national forests. It would establish a pilot project in our State of California for ecosystem management planning. These plans would emphasize local participation and focus on broad landscapes, rather than managing for specific purposes like recreation, watershed protection, wildlife management or protection for individual species. Rather, planning would incorporate all of these features in a holistic fashion, emphasizing healthy ecosystems and resilient, more fire-resistant forests.

Ecosystem management planning would also require that research and monitoring be an essential part of the management process. Along with integrating new information, this would enable forest managers to constantly understand whether their practices have been successful. Without this as a priority, essential research and monitoring will be the part of planning that is left out of the appropriations process. Now, when funds are scarce, research and monitoring takes the hit.

Let's not kid ourselves, though. Budgets are tight, and they will remain tight into the foreseeable future. My legislation proposes for the Forest Service to develop budgeting based on estimated benefits to particular resources, with justifications on this basis. This big bucket type of financing would be vastly more efficient than the segmented appropriations process that currently dictates how Federal dollars are spent.

Of late, forest management in California is focused almost exclusively on protection of a single species, the California spotted owl—not an endangered species. In many areas designated as CASPO habitat, no trees less than 30 inches may be cut, despite what the health of that particular ecosystem might be.

This nonsensical policy has led to the general deterioration of forest ecosystems now in the State, and we are now awaiting completion of the CASPO Environmental Impact Statement, which will cover a broader range of species deemed to have experienced population declines. This will then become at that time the new regime under which California forests are to be managed.

Not only has this policy du jour approach been devastating for our forests, but it has devastated our rural communities as well. Rapid fluctuations from one year to the next harm the forest and the communities which are connected to them.

In my district alone, three mills have closed within the last year. This factor has caused much unemployment and true fear—fear of what the future will bring. Harvests have been reduced substantially, dead and dying trees are piling up, fire danger is peaking.

Admittedly, consistent management of our forests with real long-term planning, consideration of entire ecosystems, reoriented focus

away from timber targets to what is best for the health of our forests may not mean more board feet. However, it will mean consistent and sustainable harvests and dynamic ecosystems which can provide for multiple needs, including recreation, animal and plant habitat and healthy watersheds.

I believe this approach has real promise. The Forest Service and other Federal agencies have embarked on their mission to implement ecosystem management but I fear, unless truly built into the forest planning process, it will not be done correctly. As well, unless it is understandable to individual foresters and citizens alike, unless it can be conveyed to my constituents, it cannot be fully implemented.

That is why the bill includes a common sense definition of ecosystem management and focus on local participation. The President at the Forest Summit called for community-based resolution of forest management conflicts, and this bill adopts this approach. H.R. 4068 would establish a framework for locally based solutions like some of those already under way in California—for instance, the Quincy Library Group and the Siskiyou Roundtable.

With this bill, forests would develope ecosystem plans for delineated ecosystems with the goal of obtaining a particular desired forest condition. In other words, citizens and planners would come to understand the natural conditions of the forest and focus on restoring these conditions. All players would have common stakes in achieving these goals.

Forest management in my district and around the country is often the subject of rancorous debate, constant lawsuits and numerous appeals. I do not believe it needs to be this way if trust can be built between as many parties as possible. I believe this is achievable, and I believe this legislation will get us there.

Thank you, Mr. Chairman for your consideration, and I look forward to the testimony.

Mr. DOOLEY. Thank you, Congressman Lehman.

We are also joined by a former Member of the Agriculture Committee, an individual also from California who spends considerable time on forest issues, Congressman Herger.

STATEMENT OF HON. WALLY HERGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. HERGER. Thank you, Mr. Chairman. I indeed appreciate the opportunity of testifying on H.R. 4068, the California Forest Ecosystems Health Act.

This much needed bill will provide a balanced legislative solution to our current forest health crisis. At the same time, it will also provide a limited amount of timber supply for our struggling mills.

The bill before us today is very important to my constituents because it recognizes California's unique geographic and climatic conditions and attempts to manage our national forests accordingly.

As many of you know, we are currently in our seventh drought year in the past eight in California, and our forests are clearly feeling the consequences. Already, 375,000 acres have burned in our State during this year's fire season. Under the status quo, the current situation will continue to decline, the health of our pristine

forests will deteriorate as stands become thicker and dead and dying trees are left untouched.

I cannot stress enough the importance of thinning as a vital management tool. If we adopt this sound practice we will create a desired condition in which more trees will survive because of less competition for the limited amount of available moisture caused by years of drought.

Similarly, removal of dead and dying trees is desperately needed. Without the use of this practice bug infestation will continue to increase and spread from dead to healthy trees.

I am pleased to join my fellow California colleague, Mr. Lehman, as a cosponsor of this legislation. H.R. 4068 represents the best of all worlds in which the health of our forests and the stability of our rural forest communities can flourish again.

By providing a legislative framework for local community stability proposals such as the Quincy Library Group and the Siskiyou Roundtable, this bill enables local input. I can tell you, having worked with these groups in my district in northern California, how extraordinary it has been to see local environmentalists and loggers put years of sharp differences behind them and work together on local forest health management agreements.

Finally, H.R. 4068 changes the way the Forest Service does business by evaluating the agency on the number of acres treated to achieve the desired forest condition. This process will lead to healthier forests through the prompt reduction of natural fuels. By reducing natural fuels through the use of thinning, removal of underbrush and dead and dying trees, we will also be providing our local mills with at least a limited amount of timber.

In conclusion, Mr. Chairman, I want to stress that while I am a strong supporter of H.R. 4068 as a long-term legislative solution, the forest health crisis is so severe in California that short-term emergency action is also a necessity.

For this reason, I have introduced H.R. 4742, the Forest Fire and Pest Emergency Act, which declares a state of emergency on our national forests in California and would allow our professional foresters to immediately reduce fuels in areas of extreme fire risk. I urge this subcommittee to take a serious look at this bill as well.

Thank you.

Mr. DOOLEY. I thank both of you for testifying this morning and would welcome you to join the committee for the upcoming witnesses if you would care to. Thank you very much.

We will now call our second panel. Mr. Mark Reimers, Deputy Chief for Programs and Legislation, with the U.S. Forest Service.

STATEMENT OF MARK A. REIMERS, DEPUTY CHIEF, PROGRAMS AND LEGISLATION, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY BARBARA WEBER, ASSOCIATE DEPUTY CHIEF, RESEARCH

Mr. REIMERS. Good morning, Mr. Chairman.

I thank the committee for all the attention they have given to forestry matters over the last few weeks both on ecosystem management and forest health and thank Congressman Lehman and Congressman Herger for their strong interest in the well-being of the national forests of California.

We appreciate this opportunity to offer our views on H.R. 4068, the California Forest Ecosystems Health Act of 1994. The Department of Agriculture supports many of the ecosystem restoration concepts presented in the bill.

The purpose of H.R. 4068 is to improve the health and productivity of the National Forest System lands in the State of California and to demonstrate the use of ecosystem management as a practical management program on these lands.

The Forest Service agrees with the purpose of the bill and with using adaptive management to implement and monitor ecosystem management actions. The purpose of the bill also follows some of the preliminary recommendations being considered by the Forest Service's Western Forest Health Initiative Team, which was discussed earlier this week in a hearing here by Assistant Secretary Lyons.

We support the principles of the bill. The ecosystem management plan should apply management techniques that will enhance forest health and vigor, provide a mosaic of forest seral stages, minimize uncontrolled wildfire, maintain the health and vigor of stands, maintain the sustainable economic well-being of communities dependent on the various national forest resources, and require monitoring and evaluation of ecosystem management implementation.

However, we do have some concerns with the bill. We would prefer to implement an ecosystem management approach that is based on ecological units. That means that in some cases the units would extend beyond the boundary of California. We are working to encompass, as we do this, all Federal lands and also work with other landowners on a voluntary basis. We also would like to see the legislation nationwide in scope so that it would apply throughout the National Forest System.

In addition, while the bill contains many of the same objectives of the National Forest Management Act, we are unsure of the exact relationship of the effects of the plans that would be prescribed in this bill as it relates to the National Forest Management Act.

Another concern that we have is that H.R. 4068 directs the Forest Service to consider the habitat needs of all species across broad landscapes using management indicator species. We agree about the value of indicator species but also believe that there will be other indicators that are needed as we look at ecosystem management and that we need to consider all species in the entire ecosystem.

But I think we are in firm agreement that we want to manage an area of the land in a sustainable way using ecosystem principles.

Toward some of the goals, we have initiated several comprehensive scientific studies which members are involved with. We are working with the Department of Interior. Two examples of studies that are under way in this broad approach to ecosystem management is the Eastside Ecosystem Management Project for the forests of the Columbia Basin and, more specifically to California, the Sierra Nevada Ecosystem Project in California.

These studies integrate the latest scientific knowledge on the biological, physical and economic environment to develop management

strategies to maintain ecosystem health and sustainability while providing resources to meet human needs.

In section 4(e), Selection of Acres for Ecosystem Management Activities, the bill states that ecosystem management plans shall specify the minimum number of acres on which ecosystem management will be applied. Although we support ecosystem management accountability and we need to work with the Congress to better define that, we believe that the broad goal in section 5 of completing plans over 5 years is more appropriate.

Section 5(a) would have ecosystem management plans replace the existing Forest Service land and resource management plans in California. As I previously stated, new legislation would need to be clear in its relationship between the new legislation and the National Forest Management Act and the associated regulations. Clearly, we would have to have one set of regulations that integrate any new requirements with the existing regulatory framework.

Although we have concerns with the bill, we support the concept of the bill to use an ecosystem management approach to manage National Forest Systems lands. We have emphasized our support of ecosystem management in several hearings before this committee during this Congress. We look forward to working with the subcommittee and Congressman Lehman in preparing legislation to address our concerns in the 104th Congress.

This concludes my testimony. I will be glad to answer any questions you may have. Thank you.

Mr. DOOLEY. Thank you very much.

Perhaps at this time we would extend the courtesy to the author of the legislation, Mr. Lehman, to see if he has questions.

Mr. LEHMAN. Thank you, Mr. Chairman.

Thank you, Mr. Reimers. I appreciate your testimony and your continued cooperation in this matter.

Let me just ask some basic questions. Is ecosystem management going to be implemented by the Forest Service?

Mr. REIMERS. Yes, it is. That is our intent, that is the direction we are moving, and we have a number of good examples both at the broad landscape scale and the kind of cooperative action that you mentioned right at the ground level as we work on specific plans for specific areas.

Mr. LEHMAN. So you see us moving away from managing for a single species or single purpose toward a broader regime?

Mr. REIMERS. Yes. Clearly, as you have indicated, we should. That is our intent, and we are moving that way now.

Mr. LEHMAN. Will legislation ultimately be necessary then to implement that change?

Mr. REIMERS. We are still evaluating that question and are going to need to work with you and the committee. We are proceeding under our existing authority. We feel that we can implement ecosystem management.

There are questions raised as various lawsuits occur if a strengthened legislative framework would help us move forward more rapidly, but we haven't reached the conclusion yet that we can't proceed under existing authority, and we are moving ahead under existing authority.

Mr. LEHMAN. As I mentioned, the President has encouraged a community-based conflict resolution for forest management. Does the Forest Service continue to encourage that and can you give examples of areas where that has worked?

Mr. REIMERS. Yes. I think we have a number of examples that are occurring.

You mentioned the Quincy library project. We are running into some difficulties under the Federal Advisory Committee Act. We have some serious questions now as to how we best interact with the public in a way that brings them into the process but also complies with that act.

Mr. LEHMAN. You mentioned the Sierra Nevada ecosystem project. How do you see that being integrated into the management of our forest in California and how do you think that might interface with the CASPO guidelines once developed?

Mr. REIMERS. I would like to ask Barbara Weber, the Associate Deputy Chief for Research, to respond to that question.

Ms. WEBER. Good morning. My name is Barbara Weber.

The Sierra Nevada ecosystem project was established to do an assessment of the Sierra Nevada ecosystems, and once that assessment is completed it will be delivered to Congress for evaluation and then considered by the Forest Service in relation to the CASPO report and management of the National Forest System. So it is a step-by-step process to get to the point where we will integrate the findings of the Sierra Nevada Ecosystem Project eventually into management plans for the Sierras.

Mr. REIMERS. Our approach has been that we are moving to stronger assessments as step one, and then those lead us into more detailed planning. Hopefully, we have a common framework of information that we can work with the local communities, the Forest Service land managers and the research community, and move in a way that we can draw consensus toward the goals and the direction for an area.

Mr. LEHMAN. Thank you. And since we are moving away from timber targets as the measure I guess for budgeting purposes, what do you think we ought to use as a goal? The bill I have proposes a number of acres, but——

Mr. REIMERS. Our difficulty with specific numbers of acres is that on one hand, we see ecosystem management as applying to broad areas, and it won't be like you 100 percent complete an acre and move on to another acre. That is why we emphasize a goal of having plans in place.

On the other hand, we agree that we need to have a range of performance measures that measure the outcomes.

What we want to be able to do, and I think we agree ultimately, is to be able to describe resource conditions on a piece of land, how we moved toward the planned objectives, and specific outputs resulting from our management.

We will still be having measurements of outputs that relate to recreation or range or timber, but we are trying, and we haven't completed this, to get some better performance measures so that you and others can be comfortable that, yes, we have accomplished what you asked us to do.

Actually, in this year's budget process we have a line item that speaks to the question of ecosystem monitoring. So in the future you may want to be able to look at the results of what we have done in monitoring to be sure that we are accomplishing the objectives that were outlined in this community setting.

Mr. LEHMAN. Thank you very much.

Mr. DOOLEY. Thank you, Congressman Lehman.

Mrs. Clayton, do you have questions?

Mrs. CLAYTON. No questions.

Mr. DOOLEY. I have one question. As I understand, there is an interagency task force that is working together to try to look at this whole ecosystem approach not only in terms of the forest but in terms of other ecosystems, be they estuaries, wetland areas or whatever.

Within that process, is there a specific committee that is assigned to try and understand and deal with the potential conflicts that might be apparent or a result of some of the existing environmental regulations that could preclude the moving forward of an ecosystem approach? For example, the ESA requires focusing on a single species, even a single habitat requirements for that species. Is there a part of the task force that is trying to identify those conflicts and propose solutions or recommendations to deal with those?

Mr. REIMERS. Yes, there is. There is an interagency group at the Assistant Secretary level that Assistant Secretary Lyons, on our behalf, interacts with Assistant Secretaries from Commerce and the Department of the Interior and others that have a number of sub task forces looking at the question.

In addition, the task force that I mentioned that is looking specifically at the western forest health crisis is also raising some of those same kinds of questions.

So I see over the next 3 to 6 months that we are going to have to come and address the question, can we proceed under existing authority or are there some problems that need to be addressed? At present, we think that many of the concerns could be addressed through some regulatory changes, and the same would be true of the way we interact with the Federal Advisory Committee Act.

Mr. DOOLEY. We are looking forward to the results of that process because, as you alluded to earlier, we are being hindered or are having to deal with a significant number of lawsuits and anything that we can do in moving forward with a different management regime or policy that could mitigate or reduce those lawsuits it would be in everybody's interests.

Thank you for testifying. We appreciate your efforts on trying to help us understand this legislation better.

We will now call the next panel, John Hofmann, vice president of government affairs, California Forestry Association; Miss Anne Heissenbuttel, director of Forest Planning and Policy, American Forest and Paper Association; Mike Francis, director, National Forest Program; Mr. Jim Owens, executive director of the Western Ancient Forest Campaign.

Unless there is objection we will proceed in the order in which the panelists were listed. Mr. Hofmann, we will ask you to begin. Thank you.

STATEMENT OF JOHN HOFMANN, VICE PRESIDENT, GOVERNMENT AFFAIRS, CALIFORNIA FORESTRY ASSOCIATION

Mr. HOFMANN. Thank you, Mr. Chairman and members of the subcommittee.

I am John Hofmann, vice president for the California Forestry Association. We appreciate the opportunity to express our views on H.R. 4068.

The California Forestry Association supports H.R. 4068. This legislation is in harmony with the vast majority of reports commissioned by this committee and others in recent months. It is a proactive forest health ecosystem bill that recognizes California's political structure, forest history and diversity, in combination with science to provide healthy forests and healthy communities. It follows the President's advice to insist on collaboration, not confrontation.

California is a State with diversified ecosystems. Many of these ecosystems are acknowledged as unhealthy but not in a state of collapse. Passing this legislation would follow the recommendations of the GAO's recent report to demonstrate ecosystem management in areas where flexibility exists to coordinate activities across ecosystems.

California's diversification will demonstrate the applicability of ecosystem management principles over a wide array of ecosystems. The test of ecosystem management will be the restoration of forest health.

California's historical forests were open with trees set apart in groups. John Muir, in 1894, wrote: "The inviting openness of the Sierra woods is one of their most distinguishing characteristics. The trees of all the species stand more or less apart in groves or in small irregular groups."

Fire, used by Native Americans, limited regeneration. As California settlers appeared in the mid-1800's, fire exclusion favored young tree growth. As the canopy closed, the young growth of native shade-intolerant species died, leaving an understory of the more fire-prone, shade-tolerant species, such as white fir.

When the Nation cried for wood products at the turn of the century, removal of the overstory left a forest of predominantly nonnative, shade-tolerant trees. Had fire continued simultaneously with logging, a perpetuation of Muir's forest may have continued.

Forest Service Chief Jack Ward Thomas testified on August 29 before the Senate subcommittee that the forest health problem is the result of two existing conditions: one, too many trees and, two, many trees are the wrong species.

Earlier this year, the California Forestry Association joined the Wilderness Society and others in advocation of forest thinning through natural fuels treatment. The California Forestry Association also supports H.R. 4742, The Forest Fire and Pest Emergency Act introduced by Congressman Herger. H.R. 4742 is a short-term solution to reduce natural fuels in extreme fire risk areas. H.R. 4068 is a long-term solution to thin the forest and grow the right trees.

Forest thinning has proven effective in reducing forest mortality. Attached to my testimony is a report of a research study conducted on the Lassen National Forest in California. After 14 years, plots

thinned to 40 percent of basal area have not lost a single tree while plots untreated have an average mortality over 30 trees per acre.

H.R. 4068 recognizes that many decisions of ecosystem management are subjective. Scientists can justify the delineation of an ecosystem as small as a rotten log or as large as the universe. An ecosystem can be a geographic area, it can be based on species, it can revolve around a community, or it can be defined as seral stages.

The GAO suggests that forest health is subjective. Forest managers recognize the value of dead and down wood and regeneration, but too much jeopardizes the entire ecosystem. Since ecosystems include humans, forest health must sustain ecosystem complexity and provide for a level of human needs.

The desired forest condition has been under constant debate. Historical forests fit the lifestyles of the native inhabitants. They may not be desirable today. Ecosystem managers must recognize human uses of forest resources have changed.

Subjective decisions such as ecosystem boundaries, forest health and desired forest condition require public policy based on good science, good social/economic data and strong local public involvement. California has established bio-regional councils which will foster local consensus groups such as the Quincy Library Group and the Siskiyou County Roundtable to resolve subjective decisions.

The public and the Forest Service will jointly develop an individualized ecosystem management plan for each identified ecosystem. Accountability follows the Vice President's direction that the Government will be performance driven. Performance will be measured in acres treated, not in board feet produced. The legislation limits public debate over the desired forest condition to a mosaic pattern that is fire safe, insect and disease resistant, economically viable, harmonizes all uses and recognizes the historical condition.

A similar forest condition was demonstrated in the Ashland watershed. Marvin Plenert, then Regional Director for the Fish and Wildlife Service, evaluated the project and stated:

"When holistic management is done properly, there is no real need for protected areas, as all areas could receive both conservation and harvest with the overall ecosystem in mind. In addition, this approach could eliminate the need to list species under the Endangered Species Act because the threats of extinction from habitat degradation will have been significantly eliminated . . ."

H.R. 4068 takes a different approach to adaptive management. Ecosystem plans are developed based on the best science available with the objective of achieving healthy forests. That plan is implemented and monitored to ensure the desired results are achieved. Adaptive management is used to readjust the plan if changes occur or it is evident that the plan will not reach the objective. It is not used to provide continual experiments across the landscape.

The California economy is among the most dependent upon forest resources. Since 1990, California has lost more jobs in the forest products industry than any other State except Oregon—over 5,000 jobs. Families, communities and the forests are losing with the present system. California's forests are growing at a rate of nearly 4 billion board feet annually and with a harvest of less than 1 billion board feet, California's forests are growing thicker and more

fire-prone each day. H.R. 4068 provides an opportunity for change and hope.

Thank you, Mr. Chairman.

Mr. DOOLEY. Thank you Mr. Hofmann.

[The prepared statement of Mr. Hofmann appears at the conclusion of the hearing.]

Mr. DOOLEY. Ms. Heissenbuttel.

STATEMENT OF ANNE E. HEISSENBUTTEL, DIRECTOR, FOREST PLANNING AND POLICY, AMERICAN FOREST AND PAPER ASSOCIATION

Ms. HEISSENBUTTEL. Thank you, Mr. Chairman and members of the subcommittee. I am Anne Heissenbuttel, director of forest planning and policy for the American Forest and Paper Association.

AF&PA members are greatly concerned about the need to improve the health and condition of many thousands of acres of public lands and to maintain healthy conditions on all our forestlands. The California Forest Ecosystems Health Act provides one approach for addressing this very important issue.

H.R. 4068 identifies a number of issues that AF&PA believes must be addressed by the Federal land management agencies when implementing ecosystem management on lands under their jurisdiction.

Among these, the bill would support implementation of a plan for ecosystem management of all national forestlands within the boundaries affected by the bill. It would focus on the condition of the ecosystem rather than on targeted outputs; and it requires consideration of the habitat needs for all species and not taking a single-species approach that we have had so much difficulty with in many areas, not only the West.

I would like to touch on each issue.

First, we believe that if it is to be effective ecosystem management must be applied across the entire national forest landscape. It must not be limited to those lands designated as suitable timberlands. Nor should it be applied as a set of inviolable standards and guidelines simply layered upon previous land management decisions and land allocations.

Management activities must be designed to maintain, enhance and, where necessary, restore the health and long-term productivity of the entire Federal land ecosystem. Moreover, activities must be consistent with legislative authority for those agency lands.

Second, we concur that on-the-ground management should focus on practices designed to achieve and maintain an agreed-upon desired forest condition. Some of these practices should and will produce predictable levels of resource outputs. While output targets do not drive the management process, the expected results need to be predicted and documented, and forest managers must be held accountable to Congress and the public for achieving those desired conditions and the resulting predicted outputs.

The importance of defining the desired forest condition and working to improve that condition on many of our forested lands has become terribly apparent this season. Many scientists have warned that it is not a question of how much will burn, it is only a question of when, since so many of our forests today are in overstocked

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and unhealthy conditions. We know that without taking action now and continuing action into the future, we will only face more years when our personnel and funding needs far outweigh our ability to keep severe fire damage to a minimum.

It is well documented that the cost of preventing destructive fires is much less than the expense of fighting fires and recovering burned lands in the aftermath. Thinning, salvage logging, fuels reduction and management and controlled burning where conditions allow provide the most appropriate and cost-effective tools for any wildfire prevention program.

Appeals to halt salvage efforts have also greatly hindered the agency's ability to promptly begin recovery and reforestation efforts and squelched any hope of reducing the overall cost of the effort by recovering the value of burned timber. The Forest Service must be encouraged to use every opportunity within its means to expedite the NEPA process and to recognize the emergency nature of these salvage and rehabilitation needs so that the exemption allowed under the current appeal rules can be and is used wherever necessary.

Third, AF&PA believes ecosystem management will succeed if it enables managers to provide for the needs of all species, without the need for separate plans to protect individual species within the planning area. It should focus on ways to achieve desired habitat conditions needed for a mix of species, rather than provide protected zones for one species overlaid or added to separate zones for another.

We are supportive of these general concepts as essential principles that must be addressed in any ecosystem management plan, and I am afraid they are not addressed in the President's plan for the northwest. However, we also have concerns with some provisions of H.R. 4068.

First, it does little to resolve the inherent conflicts between procedures that are prescribed by the numerous environmental and land management laws passed over the last 30 years.

In addition, H.R. 4068 calls for the development of new ecosystem management plans. Just how and why these plans should replace the current land and research management plans required by NFMA is unclear. We believe the Forest Service can and must begin to implement ecosystem management consistent with the above principles and within the context of the current NFMA plans.

While we agree the current process does not facilitate implementation of ecosystem management I don't believe a new type of plan is what is needed most. Instead, legislation will be needed to address the real conflicts between the many procedural requirements of NFMA, the National Environmental Policy Act, the Endangered Species Act, the Clean Water and Clean Air Acts, and other environmental and management laws.

Similarly, the Federal antitrust laws currently preclude much of the cooperation among landowners that could be supported by many of our member companies. Please refer to the paper attached to my testimony by William Randolph Smith for more information about this very real concern.

Finally, AF&PA's vision is to ensure the continuing availability of forest products and other resources to meet the needs and reflect the values of growing populations by sustainably managing the forest resources of the Nation. We aim to ensure that future generations derive the same benefits from forests that we enjoy today. We believe that public lands can achieve sustainable forestry through ecosystem management and commend Congressman Lehman for his efforts to help facilitate ecosystem management in the West.

I will be happy to answer questions.

[The prepared statement of Ms. Heissenbuttel appears at the conclusion of the hearing.]

Mr. DOOLEY. We will now go to Michael Francis, the director of the National Forest Program by the Wilderness Society.

STATEMENT OF MICHAEL FRANCIS, DIRECTOR, NATIONAL FORESTS PROGRAM, WILDERNESS SOCIETY

Mr. FRANCIS. Thank you, Mr. Chairman, and members of the committee for this opportunity to testify today on H.R. 4068, the California Forest Ecosystems Health Act.

I am Michael Francis. I am the director of the National Forests Program for the Wilderness Society. The society is a national conservation organization with 272,000 members, 52,000 of whom reside in California. As this committee is aware, the society is recognized as a leader in the national debate over forest and natural resource policy and the evolving doctrine of ecosystem management.

I request that a recent outline addressing ecosystem management prepared by the society be included in the hearing record.

While we would like to thank Representative Lehman for bringing the issue of ecosystem management before this committee and the Congress, the Wilderness Society is opposed to the bill in its current form.

The bill is unnecessary, unscientific, costly and would perpetuate the bias toward timber production which has resulted in serious well-documented environmental problems in our public forests. Regretfully, H.R. 4068 would fail to protect and would, in fact, encourage the logging of the remaining ancient forest ecosystem and roadless areas in all of California's national forests.

H.R. 4068 is unnecessary and redundant. The National Forest Management Act currently provides more than adequate authority and direction to the Forest Service to incorporate ecosystem management principles into its management activities. Moreover, the Forest Service under Chief Thomas has embraced ecosystem management as its guiding policy nationally.

In addition, region 5 of the Forest Service has recently issued draft ecosystem management guidelines to implement the Chief's new policy in California.

Mr. Chairman, at a congressional hearing only a few weeks ago, your committee heard testimony from the GAO which found that the Federal agencies are beginning to implement ecosystem management. Ecosystem management is a complex and evolving doctrine and deserves a thoughtful, comprehensive review by Congress before congressional action is warranted.

H.R. 4068 is not based on science. It prejudges the outcome of ecosystem planning by eliminating corridors and other special man-

agement areas. Not only is this contrary to current scientific thinking about ecosystem management as evidenced in President Clinton's forest plan, it also prejudges the outcome of two administrative processes under way in California that are focused on ecosystem planning in the Sierra Nevada range—the California Spotted Owl environmental impact statement and the Sierra Nevada ecosystem project.

As currently drafted, the scope of H.R. 4068 is too broad and too poorly defined. The bill would require the preparation of new ecosystem management plans for all of the national forests in California, including those in northern California, thus preempting the California portion of President Clinton's forest plan.

The bill does not adequately establish the need for new plans, either in the Sierra Nevada or the other national forests in southern California. The bill would result in a costly and unnecessary expenditure of taxpayers' money to develop these plans.

H.R. 4068 would set an unacceptable precedent with national implications by supplanting the National Forest Management Act. Again, the need to replace NFMA has not been clearly demonstrated to this committee nor to the public at large, nor has the rationale been provided to justify special treatment for California's forests when many of the same conditions pertain on national forests in other States.

Though the actual language of H.R. 4068 is somewhat vague, the Society is concerned about provisions that appear to be inconsistent with the goals of the National Environmental Policy Act.

Finally, the society is concerned that the concept of ecosystem management inherent in H.R. 4068 is biased toward commodity production and hostile to ecosystem protection.

A basic tenet of ecosystem planning, missing in the bill, is the critical need to protect those areas that are functioning well while working to restore natural processes and functions on degraded areas. Rather than do that, the bill requires the use of adaptive management across the landscape.

Furthermore, it presumes that human managers possess sufficient information and capabilities to manage the entire landscape without preserving any particular area. Not only is this presumption unscientific, it is also indicative of the same arrogance and ignorance that has created the environmental problems we face throughout the Nation today in the National Forest System.

On conclusion, Mr. Chairman, because of the concerns discussed above, we oppose H.R. 4068. In addition to substantive problems with the bill, we feel that the legislation would preempt current administration initiatives and is therefore not needed at this time.

We are, however, eager to work with you and other Members of the committee and Mr. Lehman to explore other ideas in the continuing evolution of natural resource policy and the implementation of meaningful ecosystem protection and management.

Thank you for the opportunity to share the society's views on ecosystem management in the national forests of California.

Mr. DOOLEY. Thank you.

[The prepared statement of Mr. Francis appears at the conclusion of the hearing.]

Mr. DOOLEY. Mr. Owens, executive director of the Western Ancient Forest Campaign.

STATEMENT OF JIM OWENS, EXECUTIVE DIRECTOR, WESTERN ANCIENT FOREST CAMPAIGN, ALSO REPRESENTING THE SIERRA NEVADA ALLIANCE

Mr. OWENS. Mr. Chairman and members of the subcommittee, my name is Jim Owens. I am the executive director of the Western Ancient Forest Campaign which represents grassroots forest activists from California, Oregon, and Washington.

Today I also represent the Sierra Nevada Alliance, a coalition of California community leaders and activist groups. I thank you very much for this opportunity to come before you today to discuss H.R. 4068, the California Forest Ecosystem Health Act.

I have prepared and submitted written testimony to the subcommittee on H.R. 4068 and will now summarize my comments regarding this bill.

I have also appended to my testimony a letter commenting on H.R. 4068 that was sent to Congressman Rick Lehman by John Buckley, executive director of the Central Sierra Environmental Resource Center in Twain Harte, California. I would appreciate inclusion of this letter in the record of this subcommittee hearing.

Mr. Chairman, H.R. 4068 is one of many attempts by Members of Congress, representatives of the administration, Forest Service professionals, biologists and concerned citizens to define and implement ecosystem management and forest health. While I and others in California's environmental community appreciate the efforts of Congressman Lehman to shift the management of California's Federal forests from a commodities-oriented approach to one based on principles grounded in sound scientific findings and recommendations, we feel this bill fails to guarantee true ecosystem management of California's Federal forests.

In addition, the bill severely limits the ability of concerned citizens to engage in a meaningful manner in the development of long-range management plans for these forests. For these reasons and more, the coalitions I represent oppose H.R. 4068 as it is currently written.

While H.R. 4068 condemns targeted commodities outputs, we appreciate that the bill has the practical effect of setting aside a specified acreage for each forest on which ecosystem management activities will be performed. We agree with the representative of the Forest Service that other measures should be sought and used to determine the success of ecosystem management.

H.R. 4068 seeks to suspend the portion of the Forest and Rangeland Renewable Resources Planning Act of 1974 which provides for the development of forest plans and the participation by the public in the redrafting of these plans at least every 15 years. By now, most Members of Congress have recognized that any attempt to suspend laws is a nonstarter. Citizens across the Nation value the opportunity to engage in the development of planning and decision documents by public agencies and will not tolerate the abridgement of the basic democratic right of public participation in the Nation's government.

H.R. 4068 discards wildlife corridors and special management areas that have been established by the Federal Government for the protection and restoration of a number of sensitive wildlife and fisheries species that occur in California's Federal forests. The repudiation of these efforts to get ahead of the game in protecting forest ecosystems doesn't make sense and could lead to population crashes of a number of wildlife and salmonid species. Removing these special management areas and opening them up to new logging or development pressures has no place in any ecosystem management strategy.

This bill advocates the use of adaptive management and adaptive management areas as ecosystem management techniques. As yet, adaptive management is an untested and experimental concept that has not been proven to be a practicable forest management tool, or even capable of being implemented on Federal forests. The environmental community opposes the statutory prescription of adaptive management for Federal forests.

In the end, Mr. Chairman, this bill is unnecessary, given that the Forest Service is actively engaged in a comprehensive effort to scientifically analyze the resources of the Sierra Nevada and to develop long-range ecosystem management strategies that address a broad range of resource and development issues. The agency has already developed, and begun to implement, the recommendations of the California Spotted Owl Report—CASPO. This bill would derail CASPO and sidetrack the scientific analysis currently under way by the agency.

In addition, it would discard the hundreds of hours that have gone into the development of the Northwest forest plan, which may yet serve to resolve the timber wars of northern California if it is properly implemented.

Mr. Chairman H.R. 4068 attempts to deal with a number of forest management issues affecting California's Federal forests. But in the eyes of the State's environmental community it comes up short. On behalf of this community, I urge the subcommittee to refrain from acting on this bill, in the interest of permitting ongoing Federal processes to develop ecosystem management strategies based upon sound scientific data and analysis.

This concludes my testimony. I look forward to responding to questions or comments you may have.

Mr. DOOLEY. Thank you.

[The prepared statement of Mr. Owens appears at the conclusion of the hearing.]

Mr. DOOLEY. We are pleased to be joined by another Congressman from California, Mr. Doolittle. Welcome.

The author of the legislation, Mr. Lehman, is recognized for any questions he might have of the panel.

Mr. LEHMAN. I appreciate you giving me the opportunity to sit with your panel today.

Mr. Owens and Mr. Francis, and I guess hopefully speaking for those you speak for but I imagine for yourselves as well, what is your vision of desirable forest conditions in the Sierra Nevada?

Mr. OWENS. I will take that on first.

Two days ago, we heard Mr. Lyons talk about the goals his agency was pursuing not only on the Eastside forest but also for forests

in California. He talked about trying to bring the forest back to a pre-European, presettlement condition before the logging that swept across the Sierra Nevada and essentially high graded the big Ponderosa pines that dominated most of the landscape.

I think most of my coalition agrees that trying to reach this presettlement would be a useful goal, and we prefer that rather than a goal of being 30 years back or 60 years back because these are just momentary blips in the dynamics of the forest.

Mr. FRANCIS. Mr. Lehman, I think in a broad sense, because we still are learning a lot about ecosystem management, it is a scientific, evolving process, but I think the ultimate objective for the Sierra Nevadas is to sustain their regenerative capacity by protecting their biological diversity and sustain their productivity potential as a continuing, ongoing function of the ecosystem into the future.

Mr. LEHMAN. Is timber harvesting on public lands compatible with your vision?

Mr. FRANCIS. Yes, sir.

Mr. OWENS. I think you will find members of my community who feel that in certain areas of the forest, areas that might be defined as matrix, that timber harvest is one of many actions that can go on. These people, as you know, live in the same communities as their neighbors who are loggers or recreationists, and they feel that you can't eliminate timber harvests from forest management.

Mr. LEHMAN. And you can have a pre-European condition with timber harvesting.

Mr. OWENS. In terms of pre-European that I was referring to—and I think Mr. Lyons was as well, we should try to attain those open forests that are free of the under ladder of fuels that can create the sort of holocaust that we are all quite nervous about.

Mr. LEHMAN. When you say a pre-European system are humans part of that?

Mr. OWENS. Humans have been part of the Sierra forest systems for at least the last 10,000 or 15,000 years. I think our testimony today indicated that Native Americans have been using fire as a management tool in those forests as long as our records go back.

Mr. LEHMAN. I guess the question in my mind, and I am trying to articulate it, is I am concerned about having a healthy forest, and I think for a variety of reasons right now we don't have a healthy forest, a lot of which has to do with management practices. In the past, when we just managed for board feet, we I think did a lot of damage. I see many problems now as we manage species by species. This is not unlike the Bay delta where we manage for one fish and decimate another.

Mr. Dooley pointed out the other day as we draw concentric circles through the forest to protect different species it is a nonsensical pattern that emerges and probably puts a lot more pressure on those areas that aren't covered by concentric circles and necessitating that some management scheme be set up for them.

But I guess if our goal is the health of the forest, which is what I am concerned about, then isn't setting up some type of standard like a pre-European regime not necessarily the only way to do that? Have you scientifically determined that?

Mr. OWENS. I think I agree with you. Perhaps we are all trying to find a desired future condition that fits with the needs of the forest ecosystem to develop a sustainable forest ecosystem and at the same time deal with the amazing pressures that are on particularly the Sierra Nevada forests, development from the urban centers, et cetera. I think this is a process that is still in flux, but I agree that we need to move as deliberately as we can into defining a workable scheme, a strategy for ecosystem management.

Mr. LEHMAN. Thank you.

Mr. DOOLEY. Mr. Doolittle.

Mr. DOOLITTLE. I guess I would just observe I find it amazing that some groups have as a goal to take us back to pre-European settlement. We don't do that in any other area of national policy that I can think of. Why should that even be seriously contemplated?

None of the conditions affecting human beings are at all the same. We lead a much more complex lifestyle. Through industrialization, et cetera, we have a dramatically higher quality of life. I would question the very assumption that that should be a desirable target to go back to pre-European settlement. I don't think that that would be desirable in any other area of life that I could imagine. I can't resist commenting that it would be ludicrous to base our forest management practices on such an undesirable assumption.

Mr. OWENS. If I might have a word here, those forests that existed 100 years ago in California were healthy, functioning forest ecosystems, and it was only as man came along and first high graded them and then suppressed fire that the forests began to be threatened by a variety of problems.

When I say that my vision is of a forest that attains those presettlement conditions, it is a forest that doesn't have the fuel loads that have now been brought about by past agency mismanagement and that will be a forest that can sustain communities in the Sierra Nevada for literally generations to come.

Mr. DOOLITTLE. I don't think anybody quibbles with the idea of the sustainable yield, although I hear that term thrown around. To me, that is what we have been doing for a long time. People working in the forest cutting trees aren't going to cut them all down and put themselves out of business. It is my understanding that sustainable yield is a concept that has been practiced for years anyway. I do agree with that.

Certainly the forests are in horrible condition as anybody knows who has flown over them or been in them on foot. I think this forest health bill that Mr. Lehman has is an excellent approach to address the needs of the forest, try and bring some common sense and rationality back to this system that will not only improve the forest but allow people to earn a living who wish to live in the forests.

I am not necessarily attributing any of this to you, but it concerns me when I see efforts basically designed I believe to eliminate the multiple use of the forests and a level of logging that is perfectly reasonable and acceptable and does no harm but is part of this process of maintaining forest health.

Thank you.

Mr. DOOLEY. Thank you, Mr. Doolittle.

I have a question I would like to ask the panel, specifically Mr. Hofmann. I know you have been involved with the Quincy Library Group which is trying to incorporate an ecosystem approach, to get many of the people with interest in a management plan of a particular part of the forest to participate and try to reach some agreement. Do you see this legislation as providing support for that, assisting that? And how is that Quincy Library Group proceeding at this point?

Mr. HOFMANN. Mr. Chairman, I think that the Quincy Library-type groups would be formed and fostered through this legislation. This legislation encourages local groups to get together. Throughout the Sierras we have groups that are idealizing the Quincy Library Group that would like to follow those footsteps, but it is very hard to sit down at the table and look at each other after years of being on opposite sides of the fence.

To get the Quincy Library Group took the county supervisor, a neutral party, that brought both of them together and said I think we have some common areas here.

Congressman Lehman's bill would foster a consensus group to begin with. The entire ecosystem that the Quincy plan is based on does not allow management of the entire ecosystem base. At this time, they don't have consensus on how to manage every inch of that land. They have a consensus over part of that area. So they have agreed to stay away from some areas, the roadless areas, some of the semiprimitive wilderness areas. They are not included in any kind of management plan at this time. They hope later to move into that.

I think that is one of the values of Congressman Lehman's bill. Let's get together and talk, examine areas that we do agree on, how to manage some of the lands that is maybe close to communities, that is well overgrown, that needs to be thinned out, some of the area where extensive salvage is required. We can agree on some of those areas. Let's begin there, move out from there.

And Congressman Lehman's bill would allow 5 years to move out into areas that don't have that consensus today. So I think his bill would quite a bit foster Quincy Library-type groups throughout California.

Mr. DOOLEY. Mr. Owens or Mr. Francis, do any of your organizations participate in the Quincy Library Group?

Mr. OWENS. Mr. Dooley, two of my past board members have been participating in either the Quincy Library Group or the AMA group in Ashland. My observation is that these are works in progress. They are also very unique across the West. I think the forest plan sets up 13 different AMA's. My observation is you can't legislate these opportunities.

I came here from Eureka, California, Humboldt County, California, and in that area in which the rhetoric and polarization is extremely rigid even today trying to create a stakeholders' dialogue within a very short period of time would blow it up. I think they have to be nurtured, but I don't think you can legislate them.

Mr. FRANCIS. As an organization, the Wilderness Society does not participate in the Quincy Library Group, but we do have members

of our organization who probably do work with the group. But as a society we don't participate.

Ms. HEISSENBUTTEL. I would like to make a comment not on the workings of those groups but on the reasons for the conditions of our forests in California today.

I am a native Californian and spent 14 years of my career working in the forests of the Sierra Nevadas, Yosemite, the Sierra National Forest and on private land, and with that experience I can tell you what I have learned is that the biggest problem we have for forest health is a result of our fire policies, not from logging. We have as serious difficulty in the national parks where we don't practice logging as we have had on the national forest, and most of the private lands are in far better condition. I just need to make sure we understand that.

Mr. DOOLEY. Thank you.

Mr. Lehman, do you have any further questions?

Mr. Doolittle.

With that, I think we will bring this hearing to a close. We appreciate all the people who participated in the hearing. Without question, there isn't going to be any action on this legislation this year, but this is setting the groundwork for significant consideration of this approach in the coming year, and we appreciate your contributions to development of that next year.

The hearing is adjourned.

[Whereupon, at 10:50 a.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

STATEMENT OF
JOHN HOFMANN, VICE PRESIDENT
GOVERNMENT AFFAIRS
CALIFORNIA FORESTRY ASSOCIATION

Before the
Specialty Crops and Natural Resources
Subcommittee of the
House Agriculture Committee

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am John Hofmann, Vice President of Government Affairs for the California Forestry Association. We appreciate the opportunity to express our views on H.R. 4068, "The California Forest Ecosystems Health Act."

The California Forestry Association supports H.R. 4068. This legislation is in harmony with the vast majority of reports commissioned by this committee and others in recent months. It is a proactive forest health ecosystem bill that recognizes California's political structure, forest history and diversity, in combination with science to provide healthy forests and healthy communities. It follows the President's advice to "insist on collaboration, not confrontation."

California is a state with diversified ecosystems. Many of these ecosystems are acknowledged by state and federal agencies, the environmental community and the forest products industry as unhealthy, but not in a state of collapse. Even in northern California, the Fish and Wildlife Service recognizes the abundance of northern spotted owl populations. Passing this legislation

would follow the recommendations of the GAO's recent report to demonstrate ecosystem management in areas where problems or issues have not become intractable and where flexibility exists to coordinate activities across ecosystems. California's diversification can demonstrate the applicability of ecosystem management principles over a wide array of ecosystems. The test of ecosystem management will be the restoration of forest health.

California's historical forests were open with the trees set apart in groups. John Muir, in 1894, wrote: "The inviting openness of the Sierra woods is one of their most distinguishing characteristics. The trees of all of the species stand more or less apart in groves, or in small irregular groups, enabling one to find a way nearly everywhere, along sunny colonnades and through openings that have a smooth, park-like surface." The Sierra Nevada Ecosystem Project team found that "natural environmental conditions and a history of frequent, light to moderate fire disturbance, combined with periodic drought, intervals of episootic insect activity, and occasional catastrophic fires, created a fine-scale landscape pattern of many small patches, or landscapes that are mosaics of patch conditions... Fine-scale here refers to patches that typically range in size from less than one hectare (about 2 acres) to a few tens of hectares (or acres)." (SNEP, pg. 9)

Fire, used by native Americans, limited regeneration. Like the chainsaw, fire cuts trees down, but in their infancy. As California settlers appeared in the mid-1800's, fire exclusion

favored young tree growth. As the canopy closed, the young growth of native shade intolerant species died, leaving an understory of the more fire-prone, shade tolerant species, such as white fir. When the nation cried for wood products at the turn of the century, removal of the overstory left a forest of non-native, shade tolerant trees, void of the openness necessary to perpetuate the shade intolerant pines. Had fire continued simultaneously with logging, a perpetuation of "Muir's" forest may have continued.

Forest Service Chief, Jack Ward Thomas, testified on August 29 before the Senate Subcommittee on Agricultural Research, Conservation, Forestry, and General Legislation, that the forest health problem is the result of two existing conditions: 1) too many trees and 2) many trees are the wrong species. Earlier this year, the California Forestry Association joined the Wilderness Society, Sierra Club, Natural Resources Defense Council, and many local groups in advocating forest thinning through natural fuels treatment. Twenty-one members of Congress joined us in our efforts to obtain funding. The California Forestry Association also supports H.R. 4742, "The Forest Fire and Pest Emergency Act" introduced by Congressman Herger, which applies natural fuels treatment through the emergency provisions of NEPA in extreme fire risk areas. H.R. 4742 is a short term solution to reduce the fire risk in extreme fire risk areas until ecosystem management plans can be developed. H.R. 4068 is a long-term solution to thin the forest and grow the right trees.

Forest thinning has proven effective in reducing forest mortality. Attached to my testimony is a report of a research study conducted on the Lassen National Forest in California. In 1978-79, plots in eastside pine, mixed with white fir and incense-cedar were established to analyze the effects of thinning on pest and diseased-caused tree mortality. After fourteen years, plots thinned to 40% of basal area have not lost a single tree while plots untreated have an average mortality over 30 trees per acre. Plots thinned to 55% and 70% have averaged 1.8 to 2.3 trees per acre mortality respectively.

H.R. 4068 recognizes that many decisions of ecosystem management are subjective. Scientists can justify the delineation of an ecosystem as small as a rotten log or as large as the universe. An ecosystem can be a geographic area, such as a roadless area, wilderness, riparian zone or a watershed. It can be based on species; the giant sequoia, coastal redwoods, high elevation fir or mixed conifer. It can revolve around a community, such as the Quincy Library Group or the Tahoe Basin. It can be defined as seral stages, grasses and forbes, young forests, intermediate forests, mature forests and old growth.

The GAO suggests that forest health is the baseline for ecosystem management, yet it too is subjective. Forest managers recognize the value of dead and down wood but too much turns the forest into an extreme fire risk. Every ecosystem relies on regeneration, but too much jeopardizes the entire ecosystem. Since ecosystems

include humans, forest health must sustain ecosystem complexity and provide for a level of human needs.

The desired forest condition has been under constant debate. The historical forest condition provides a perceived baseline for forest health and plant and animal habitat. Historical forests fit the lifestyles of the native inhabitants. They may not be desirable today. Ecosystem managers must recognize human uses of forest resources have changed.

Subjective decisions such as ecosystem boundaries, forest health and desired forest condition require public policy based on good science, good social/economic data and strong local public involvement. Local environmental groups and industry are struggling in many areas to reach consensus on forest management. The Forest Service, National Park Service, Fish and Wildlife Service and the Bureau of Land Management have signed agreements with California state agencies, to work with local governments, environmental groups and industry in a bio-regional council to develop a coordinated statewide biodiversity planning strategy for ecologically similar regions throughout California. This legislation would work through established bio-regional councils and foster local consensus groups such as the Quincy Library Group and the Siskiyou County Roundtable to resolve subjective decisions.

"The California Forest Ecosystems Health Act" provides flexibility in the delineation of ecosystems. An exemption from NFMA's forest

boundaries allows ecosystem management plans that cross forest boundaries. The public and the Forest Service will jointly develop an individualized ecosystem management plan for each identified ecosystem recognizing that each ecosystem is unique. Accountability follows the Vice-Presidents direction that the government will be performance driven. Performance will be measured in acres treated, not in board feet produced. The legislation limits public debate over the desired forest condition to a mosaic pattern that is fire-safe, insect and disease resistant, economically viable, harmonizes all uses and recognizes the historical condition.

A similar forest condition was demonstrated in the Ashland watershed. Marvin Plenert, then Regional Director for the Fish and Wildlife Service, evaluated the project and stated:

> Helicopter removal of selected tree harvest was accomplished throughout the Forest, including areas near owl nests. The result was that owls seemed to cope with the "light touch" of activity very easily, even while on the nest, while nearly ten million board feet of timber was removed. We do not believe that this activity has created any threat to the survival or recovery of the owl; indeed, we believe the Forest habitat has been improved by creating a multi-storied canopy with the remaining debris for forage habitat...

> In our view, the larger the landscape under consideration, the more options for management to occur...
>
> When holistic management is done properly, there is no real need for protected areas, as all areas could receive both conservation and harvest with the overall ecosystem in mind. In addition, this approach could eliminate the need to list species under the Endangered Species Act because the threats of extinction from habitat degradation will have been significantly eliminated...
>
> We have always taken the position that good forest management is also good wildlife management. When the habitat reflects natural, or near natural conditions, the species should be provided for.

The California Forestry Association recognizes the development of ecosystem management plans will not occur over night. H.R. 4068 provides an opportunity to implement ecosystem management through consensus. In areas of consensus, ecosystem management plans are expected within two years. Through experience and communications, the Forest Service will expand ecosystem management progressively over a five year period.

H.R. 4068 takes a different approach to adaptive management. Ecosystem plans are developed based on the best science available

with the objective of achieving healthy forests. That plan is implemented and monitored to ensure the desired results are achieved. If changes occur or it is evident that the plan will not reach the objective, adaptive management is used to readjust the plan to accomplish the objective. It is not used to provide continual experiments across the landscape. This concept is consistent with the direction of the Sierra Nevada Ecosystem Project progress report and the recent GAO report. "Our knowledge about many, if not most, Sierra Nevada ecosystems is so incomplete that any management plan must be flexible enough to respond to unpredicted ecosystem changes." (SNEP, pg. 6).

The California economy is among the most dependant upon forest resources. Since 1990, California has lost more jobs in the forest products industry than any other state except Oregon -- over 5,000 jobs. Families, communities and the forests are loosing with the present system. California's forests are growing at a rate of nearly 4 billion board feet annually and with a harvest of less than 1 billion board feet, California's forests are growing thicker and more fire-prone each day. H.R. 4068 provides an opportunity for change and hope.

FOREST HEALTH IN CALIFORNIA

In 1978-1979, eastside pine plots were established on the Lassen National Forest to analyze the effects of thinning on pest and diseased-caused tree mortality. The stands chosen were pole-sized ponderosa pine mixed with white fir and incense-cedar medium to low sites, ranging in age from 70 to 90 years. Four levels of stocking density were established; 40, 55, 70, and 100 percent of normal basal area. Fourteen years after thinning, the treatments have reduced mortality by 91 to 100 percent. Mortality was due to the mountain pine beetle and root rot.

COMMERCIAL TREE MORTALITY
(Trees per Acre)

YEAR	40%	55%	70%	100%
1980	0.0	0.2	0.2	2.4
1981	0.0	0.0	0.7	2.4
1982	0.0	0.5	0.3	3.6
1983	0.0	0.1	0.8	4.1
1984	0.0	0.0	0.0	1.0
1985	0.0	0.2	0.0	.6
1986	0.0	0.0	0.0	1.3
1987	0.0	0.0	0.0	1.4
1988	0.0	0.0	0.0	0.0
1989	0.0	0.4	0.0	2.6
1990	0.0	0.0	0.0	2.6
1991	0.0	0.0	0.0	1.8
1992	0.0	0.2	0.0	1.3
1993	0.0	0.2	0.3	5.2
Total	0.0	1.8	2.3	30.3
mean	0.0	0.1	0.2	2.3
Range	0.0	0-.5	0-0.8	0-5.2
		Percent Mortality Reduction		
	100%	96%	91%	---

Thinning also profoundly affects tree growth. Average stand diameter increased 2 inches in the 40% stands and only 0.1 inch in the unthinned stands. Through thinning, stands of small trees can more rapidly be converted to stands of larger trees, conducive to late-successional dependent species.

Historical patterns of wildfire intensity can be maintained through thinning while expanded reserves will exacerbate burn intensity. Historically, approximately 12,000 acres of moderate intensity and 4,000 acres of high intensity fires have occurred annually in the Klamath National Forest. Option 12c of the Gang of Four report would decrease moderate intensity fires to less than 9,000 acres and increase high intensity fires to 7,000 acres annually. Option 12c is a more moderate management approach than the President's Option 9. Effects of low and moderate intensity fires can be simulated through forest thinning while providing forest product commodities for sustainable economies.

California Forestry Association
July 8, 1994

Mr. Chairman and members of the Subcommittee,

I am Anne Heissenbuttel, director of forest planning and policy for the American Forest & Paper Association (AF&PA). My responsibilities include issues affecting the management of forest resources on National Forest lands such as land management planning, ecosystem management and appeals of agency decisions. AF&PA members are greatly concerned about the need to improve the health and condition of many thousands of acres of public lands and to maintain healthy conditions on all our forest lands. H.R. 4068, the "California Forest Ecosystems Health Act," provides one approach for addressing this important issue, and I am pleased to have the opportunity to testify on this bill today.

AF&PA is the national association of the forest, pulp, paper, paperboard and wood products industry. The association represents more than 400 member companies engaged in the growing, harvesting, and processing of wood and wood fiber. Our membership includes companies which manufacture solid wood products such as lumber, plywood and other panel products, as well as those which produce pulp, paper and paperboard products from both virgin and recycled fiber. Many AF&PA members rely on federal timber for part or all of their raw material supplies. The association is also the umbrella for more than 60 affiliate member associations that reach out to more than 10,000 companies.

H.R. 4068 identifies a number of issues that AF&PA believes must be addressed by the federal land management agencies when implementing ecosystem management on lands under their jurisdiction. Among these, the bill would:

(1) support implementation of a plan for ecosystem management "of all National Forest System lands" within the boundaries affected by the bill. (Emphasis added). Sec. 4(b).

We strongly believe that if it is to be effective, ecosystem management must be applied across the entire national forest landscape. It must not be limited to those lands designated as "suitable timberlands." Nor should it be applied as a set of inviolable standards and guidelines simply layered upon previous land management decisions and land allocations. Management activities must be designed to maintain, enhance and, where necessary, restore the health and long-term productivity of the entire federal land ecosystem. Moreover, activities must be consistent with the legislative authority for agency lands.

(2) focus on the condition of the ecosystem rather than "targeted" outputs. Sec. 4(c)(3).

We concur that on-the-ground management should focus on practices designed to achieve and maintain an agreed-upon "desired forest condition." Some of these

practices will produce predictable levels of resource outputs. While output "targets" will not drive the management process, the expected results should be predicted and documented, and forest managers must then be held accountable to Congress and the public for achieving the desired conditions and resulting predicted outputs.

The importance of defining the desired forest condition and working to improve that condition on many of our forested lands has become terribly apparent this season. As you are aware, almost 66 thousand wild fires have now burned more than 3.8 million acres of land already this year. This is 160 percent of the five-year average and we are not yet near the end of the fire season! The acreage burned ranks with the major wildfire years of 1987 (Northern California) and 1988 (Yellowstone).

Many scientists have warned that it is not a question of how much will burn, it is a only a question of when, since so many of our forests today are in overstocked and unhealthy conditions. We know that without taking action now and continuing it into the future, we will only face more years when our personnel and funding needs far outstep our ability to keep severe fire damage to a minimum.

It is well documented that the cost of preventing destructive fires is much less than the expense of fighting fires and recovering the burned lands in the aftermath. Fire suppression costs for the summer of 1994 already total more than $700 million.

To add to the difficulty, more homes and communities have been built adjacent to or within the forest. Here, as well as in the more remote forest areas, thinning, salvage logging, fuels reduction and management, as well as controlled burning where conditions allow, provide the most appropriate and cost effective tools in any wildfire prevention program.

Appeals to halt salvage efforts have also greatly hindered the agency's ability to promptly begin recovery and reforestation efforts, and squelched any hope of reducing the overall cost of the effort by recovering the value of the burned timber. The Forest Service must be encouraged to use every opportunity within its means to expedite the NEPA process and to recognize the emergency nature of these salvage and rehabilitation needs so that the exemption allowed under the current appeal rules is used wherever necessary.

(3) consider the habitat needs of all species, not single species. Sec. 4(c)(6).

AF&PA believes ecosystem management will succeed if it enables managers to provide for the needs of all species, without the need for separate plans to protect individual species within the planning area. It should focus on ways to achieve desired habitat conditions needed for a mix of species, rather than provide protected "zones" for one species overlaid or added to separate zones for another.

While we are supportive of these general concepts, we have concerns with other provisions of H.R. 4068. First, it does little to resolve the inherent conflicts between procedures prescribed by the numerous environmental and land management laws that have been passed over the past 30 years.

H.R. 4068 calls for the development of new "ecosystem management plans." How, why, or whether these plans should replace the current land and resource management plans required by the National Forest Management Act (NFMA) remains unclear. We believe the Forest Service can and should begin to implement ecosystem management consistent with the above principles and within the context of the current NFMA plans. While we agree the current process does not facilitate implementation of ecosystem management, a new type of plan is not what is needed most. In fact, the objectives of H.R. 4068 are consistent with many provisions of the current forest planning process and NFMA. Instead, legislation is needed to address real conflicts between the many procedural requirements of the NFMA, the National Environmental Policy Act, the Endangered Species Act, the Clean Water and Clean Air Acts, and other environmental and management laws.

Similarly, the federal antitrust laws currently preclude much of the cooperation among landowners that could be supported by many of our member companies. In short, if two or more private owners or operators of land producing a commodity wish to cooperate to achieve mutually agreed-upon ecosystem goals, that cooperation is

strictly prohibited by law if the result will the reduce the overall level of outputs they produce. H.R. 4068 does little to address this problem. Please refer to the attached paper by Wm. Randolph Smith for more information about this very real concern.

Finally, AF&PA's vision is to ensure the continuing availability of forest products and other resources to meet the needs and reflect the values of growing populations by sustainably managing the forest resources of the nation. We aim to ensure that future generations derive the same benefits from forests that we enjoy today. Our goal is to see that private and public forests are sustainably managed by the year 2000. We believe that public lands can achieve sustainable forestry through ecosystem management.

ANTITRUST AND ECOSYSTEM MANAGEMENT: NO GOOD DEED GOES UNPUNISHED

Remarks Before Forest Policy Center Symposium
on Ecosystem Management

Wm. Randolph Smith
Crowell & Moring

Yale School of Forestry and Environmental Studies

October 22, 1993

Like Marc Antony supposedly said about Julius Caesar, I am here today to praise your efforts, not to bury them. But as a former government prosecutor and the resident antitrust lawyer, I am obliged to tell you that the sort of landscape and ecosystem management plans being discussed at this symposium do raise serious legal issues beyond the Endangered Species Act, issues which carry with them real risks of liability. I titled my presentation "No Good Deed Goes Unpunished" to help focus your attention on these antitrust issues.

Now, your first reaction probably is "It simply cannot be right that efforts to further important social goals, and to comply with federal law, can be an antitrust violation. This guy must be just another Washington bloodsucker trying to manufacture a legal problem where none exists."

Well, I will not argue that the Washington bloodsucker should be on the endangered species list. At least in our natural habitat along Pennsylvania Avenue, we are surviving and even multiplying. And there is one sub-species that does not rely on hourly fees for nourishment, but feeds on prosecuting antitrust violations. I am talking about government lawyers at the Justice

Department and the Federal Trade Commission. And just in case you think antitrust enforcement is dead, or even that those guys have enough sense not to sue someone for trying to protect the environment, let me mention some examples of their recent feeding frenzies:

1. It was not so long ago that the doctors, lawyers and engineers thought their professional status placed them above the ordinary trade and commerce that is subject to the antitrust laws. But they have been proven wrong time and again. The particular case I have in mind is one in which a group of lawyers defending indigent criminal defendants banded together to get the local government to increase support. Legal services for the poor sounds like a good thing, but the government prosecuted this group for illegal collusion, and the Supreme Court upheld the government's victory.

2. Second, you might be comforted to know that the Fish and Wildlife Service is not the only federal agency that thinks about prosecuting state officials. The FTC actually has sued state agencies and even cities for antitrust violations.

3. And to find the most recent example of antitrust aggressiveness, you need look no further than the ivy covered hall in which we sit. You have probably heard that a group of universities had worked together for years to rationalize financial aid, so college students could select their school

based on quality and fit rather than dollars. But the Justice Department had a different view, called the universities "competitors," and sued them on the theory that they should be fighting for students rather than cooperating.

So, you can see that all the good intentions in the world are not necessarily enough to avoid antitrust exposure.

Now let me get specific. How exactly can a landscape management plan run into antitrust problems? The answer is when two or more private owners or operators of land producing a commodity are part of a landscape management plan that involves an agreement to reduce output.

Output reduction is almost essential in any habitat conservation in a timber context, because the basic strategies include limiting the harvest levels through sequencing rules, allocations, extended rotations, and increased set asides. I realize the intent of such a plan is to benefit the environment. But the economic effect is to reduce the total supply of logs available to the marketplace. And even a non-economist like me knows that when supply goes down, price goes up.

Of course, the antitrust laws do not prohibit every instance when supply is reduced. Rather, the focus is on agreements among competitors that reduce competition. That is why I noted the point about two or more private owners or operators being involved. Let me illustrate with three scenarios.

In the first, all the land covered by a particular plan is owned and operated by one party. That individual company is free, without fear of antitrust liability, to develop a habitat

conservation plan that sets its production level wherever it wants. Because there is no agreement among competing producers, there is no antitrust problem.

My second example has public and private land in the plan, but all the private land is under single ownership. If the public land is either reserved or being harvested by the same firm, no competitive situation arises. But if a second company is logging the public land, there could be a competitive problem.

Finally, we have the obvious situation, which we expect to become increasingly common as the scope of plans broadens, where the land is owned by multiple private parties. Here is the antitrust lawyer's view:

In the absence of a plan, each of those individual owners would decide when and how much to produce. Those would be independent, competitive decisions that would, in our free market system, optimize production.

But a landscape management plan changes all that. These competitors now are getting together to agree on how to harvest their land: setting maximum levels, sequencing, and deferring some production. And to reach that agreement, they may have to share information about production plans and even pricing, for example in figuring out how to compensate a landowner whose property is being set aside under the plan.

Imagine if you will the same practices in another setting. Let's pick on the oil companies. Suppose a group of oil company executives get together and decide to cap wells and thereby limit production. They do not fix prices, but all of them know that, if

the supply is reduced, prices will go up and they will make more money. The courts have consistently condemned such conduct as per se illegal, and, in extreme cases, it can even be a criminal violation of the antitrust laws. Again, the key is the collective action that eliminates competition. And the public policy reason for this law is fairly obvious.

Note that it does not matter if the oil company executives had the greater good in mind rather than their own profits. Let us assume they explained that their action would reduce reliance on foreign oil and reduce auto emissions, to make the nation more secure and improve air quality. You might or might not believe them, and that skepticism is part of what underlies the antitrust rules. But let me assume it is a true intention because they will give all of their excess profits to charity. The simple answer is they are still guilty.

The reason is that the Supreme Court has said that the relevant subject under the antitrust laws is competition, and competition alone. The Court announced that rule in a case involving an association of civil engineers, who developed an ethical standard that they would not bid on construction jobs. Their sincere belief was that if engineers were forced to cut their fees, they would cut corners in designing bridges and buildings, which could then jeopardize public safety. The Supreme Court flatly rejected this defense, not because it did not believe the engineers, but because competition is so important to the free market economy.

The point is that the only environment that matters for antitrust purposes is the competitive environment.

Now, this does not mean that the antitrust laws necessarily will bury ecosystem management, to return to my opening theme. There are several ways to address this legal risk. Let me touch on them here.

The first is a purely legal position that the Endangered Species Act represents an implicit amendment to the antitrust laws that immunizes legitimate efforts to comply. That issue has never been addressed by the courts, and, as you can imagine, the courts are very reluctant to imply an exemption without specific direction from Congress. Thus, at this point it is an argument, but that is all it is and it is not one I would bet on winning.

Second, state governments offer real promise. The antitrust law recognizes that sovereign states can decide to displace competition in certain markets with some other form of government regulation. It has to be clear state policy, and it has to be actively supervised by the state government, but conduct that meets that standard is completely immune from federal antitrust enforcement. So, where landscape management plans are mandated or expressly authorized by state law and supervised by state agencies, they should not create antitrust risk. It is not easy to satisfy this state action immunity requirement, but it can be done with advance planning.

A third possibility is to approach the Justice Department for approval. The current administration is sounding more aggressive themes these days. It just turned down, for example, a request by

leading pharmaceutical companies to permit them to set maximum price increases so they could reduce health care costs. So I would not be optimistic, but it may be possible to obtain a no-action letter from the Justice Department in a particular situation. That would not, however, guarantee that a private plaintiff would not be allowed to bring suit.

Finally, there is the option to ask Congress to clarify the law. There have been references in this symposium to legislation being necessary for further implementation of ecosystem management initiatives. A clarification that legitimate efforts to comply with the ESA and other federal laws are exempt from the antitrust laws could be crafted. If passed, such legislation would be the surest and safest course for all concerned.

So my bottom line today is that, while these antitrust concerns with ecosystem plans do not make joint efforts pointless, the legal issues should be recognized and dealt with. Raising this sort of issue now hopefully will allow you to avoid real roadblocks in the future.

THE WILDERNESS SOCIETY

STATEMENT OF MICHAEL FRANCIS, DIRECTOR, NATIONAL FORESTS PROGRAM, THE WILDERNESS SOCIETY, BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SPECIALTY CROPS AND NATURAL RESOURCES, COMMITTEE ON AGRICULTURE, ON H.R. 4068, THE CALIFORNIA FOREST ECOSYSTEMS HEALTH ACT, OCTOBER 6, 1994

Thank you Mr. Chairman and members of the Committee for the opportunity to testify today on H.R. 4068, the California Forest Ecosystems Health Act. The Wilderness Society (TWS) is a national conservation organization with 272,000 members, 52,000 of whom reside in California. As this Committee is aware, The Society is recognized as a leader in the national debate over forest and natural resource policy and the evolving doctrine of ecosystem management. I request that a recent outline addressing ecosystem management prepared by The Society be included in the hearing record.

While we would like to thank Representative Lehman for bringing the issue of ecosystem management before this Committee and the Congress, The Wilderness Society opposes H.R. 4068 in its current form. H.R. 4068 is unnecessary, unscientific, costly, and would perpetuate the bias toward timber production, albeit disguised as "ecosystem management," which has resulted in serious and well-documented environmental problems in our public forests. Regretfully, H.R. 4068 would fail to protect, and in fact, would encourage the logging of the remaining ancient forest ecosystem and roadless areas in all of California's national forests.

* H.R. 4068 is unnecessary and redundant. The National Forest Management Act currently provides more than adequate authority and direction to the Forest Service to incorporate ecosystem management principles into its management activities (see for example, 36 CFR §219.1(b)(3). Moreover, the Forest Service under Chief Thomas has embraced ecosystem management as its guiding policy nationally. In addition, Region 5 of the Forest Service has recently issued draft ecosystem management guidelines to implement the Chief's new policy in California. H.R. 4068 is not needed at this time.

Mr. Chairman, at a Congressional hearing only a few weeks ago, your Committee heard testimony from the General Accounting Office which found that "Federal agencies are beginning to implement ecosystem management" (Ecosystem Management, Additional Actions Needed to Adequately Test a Promising Approach," GAO/RCED-94-111). Ecosystem management is a complex and evolving

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doctrine and deserving of a thoughtful, comprehensive review by Congress before Congressional action is warranted.

* H.R. 4068 is not based on science. It prejudges the outcome of ecosystem planning, for example, by eliminating corridors and other special management areas. Not only is this contrary to current scientific thinking about ecosystem management as evidenced in President Clinton's Forest Plan, it also prejudges the outcome of two administrative processes underway in California that are focused on ecosystem planning in the Sierra Nevada range - the California Spotted Owl Environmental Impact Statement and the Sierra Nevada Ecosystem Project. In fact, the Sierra Nevada Ecosystem Project was initiated by a $150,000 appropriation from Congress in the FY 1993 Interior Appropriations bill. Because this study, to be completed by December of 1995, will provide critical information on the Sierra Nevada ecosystem, H.R. 4068 is premature as well.

* As currently drafted, the scope of H.R. 4068 is too broad and too poorly defined. H.R. 4068 would require the preparation on new "ecosystem management plans" for all of the national forests in California, including those in northern California, thus preempting the California portion of President Clinton's Forest Plan. In fact, the Administration lauds this plan as the best example of an ecosystem management plan, a characterization that H.R. 4068 ignores. In addition, H.R. 4068 does not adequately establish the need for new plans, either in the Sierra Nevada or the four national forests in Southern California as well. H. R. 4068 would result in a costly and unnecessary expenditure of taxpayers' funds to develop these plans. Also, H.R. 4068 fails to acknowledge the role state and private lands play in ecosystem protection and provides no guidance for planners to integrate their work with new ecosystem initiatives on federal lands.

* H.R. 4068 would also set an unacceptable precedent with national implications by supplanting the National Forest Management Act. Again, the need to replace NFMA has not been clearly demonstrated, neither to this Committee or to the public at large, nor has the rationale been provided to justify special treatment for California's forests when many of the same conditions pertain on national forests in other states.

* Though the actual language in H.R. 4068 is somewhat vague, The Society is concerned about provisions that appear to be inconsistent with the goals of the National Environmental Policy Act. For example, H.R. 4068 intends to grant preferential authority to local communities in developing ecosystem plans for national forest lands.

* Finally, TWS is concerned that the conception of ecosystem management inherent in H.R. 4068 is biased toward commodity production and hostile to ecosystem protection.

A basic tenet of ecosystem planning missing in H.R. 4068 is the critical need to protect those areas that are functioning

well while working to restore natural processes and functions on degraded areas. Rather than do that, H.R. 4068 requires the use of adaptive management across the landscape. Furthermore, it presumes that human managers possess sufficient information and capabilities to manage the entire landscape without preserving any particular area. Not only is this presumption unscientific, but it is also indicative of the same arrogance and ignorance that has created the environmental problems we face throughout the national forest system today.

In conclusion, Mr. Chairman, Because of the concerns discussed above, we oppose H.R. 4068. In addition to substantive problems with the bill, we feel that the legislation would preempt current administrative initiatives and is therefore not needed at this time. We are however, eager to work with you, other members of your Committee, and Mr. Lehman to explore other ideas in the continuing evolution of natural resource policy and the implementation of meaningful ecosystem protection and management.

Thank you for the opportunity to share our views on ecosystem management in the national forests of California.

Fact Sheet

THE WILDERNESS SOCIETY

ECOSYSTEM MANAGEMENT

Ecosystems are functional divisions of the biosphere, i.e., geographically defined units composed of air, water, minerals, microorganisms, fungi, plants, and animals, including people. They exist at all spatial scales -- from smaller than a rotting log to larger than a region, such as the northern Rocky Mountains.

Ecosystem Management is a new approach to environmental management based on an evolving appreciation for the complexity of ecosystems and peoples' relationship to their environment. Its ultimate objective is to sustain the generative capacity of the earth by protecting biological diversity and the productive potential of ecosystems. Maintaining potential is necessary to safeguard the ability of future generations to meet their needs. Thus, ecosystem management may be considered the process of achieving sustainability.

Principles -- The following characteristics of ecosystems provide the basis for ecosystem management:

- Ecosystems are structured hierarchically. They occur at all spatial scales from the smallest microcosm to the biosphere. Larger scales set the context for smaller scales; smaller ecosystems provide the content of larger ecosystems.

- Ecosystems can be characterized in terms of pattern and process, where pattern includes both composition (the kind and quantity of physical and biological components) and structure (their physical arrangement). Process refers to the interrelationships and dynamics that bind ecosystems together.

- Ecosystems are continually changing in response to key processes. The rocky intertidal zone reflects the action of tides and waves; riverine systems are dominantly affected by hydrology. In terrestrial ecosystems, an important process affecting ecosystem character is disturbance, including fire, insect outbreaks, and treefalls. Characteristic patterns, intensities, and frequencies of disturbance influence the nature of ecosystems.

- People, like all organisms, are affected by the quality of their ecosystems. People also affect their ecosystems and are important, integral members of ecosystems at larger scales. The effects of people on ecosystems range in intensity from minimal effects on chemistry to complete urban replacement

- Ecosystems can be extraordinarily complex. Understanding complexity is a continuous and evolving process. Traditional approaches to management have assumed ecosystems to be far more simple than they are now understood to be. Sustaining complex ecosystems will require far greater humility toward the environment than has been demonstrated in the past.

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Elements – A strategy for management based on these principles should:

-- build from a hierarchically ordered ecosystem classification system that recognizes the integrity of regional ecosystems. Several systems exist that delineate "earth space" in a meaningful hierarchy.

-- identify the processes that shape ecosystem patterns and seek to sustain patterns and processes.

-- integrate and account for the role of people. One feasible approach would include areas specifically devoted to human use, natural areas devoted specifically to the conservation of nature, and an experimental landscape dedicated to mutual goals. Natural areas are necessary for the conservation of some elements of biodiversity; they also have cultural, educational, and scientific value and can provide important "ecosystem services".

-- include a short-term strategy to protect the most imperiled elements of biological diversity and a long term strategy to live sustainably (i.e., to restore the ecosystem processes that sustain biodiversity and productivity).

-- include a formal feedback mechanism to allow continual reassessment and reaction based on the status of the ecosystem. This process has sometimes been called "adaptive management."

Implementation – Based on these principles and elements, we propose the following process for the implementation of ecosystem management:

1) Identify appropriate regional ecosystem boundaries and characterize the patterns and processes that sustained diversity and productivity historically.

2) Characterize the current condition of regional ecosystems with respect to those patterns and processes.

3) Provide interim protection for imperiled ecosystem elements and/or functions.

4) Through public participation and the democratic process, develop a "vision of the future" for each regional ecosystem that sustains diversity and productivity

5) Federal agencies and local authorities, working cooperatively, develop sets of alternative management options to achieve that vision.

6) Select an alternative through the open participation of all interested parties.

7) Through adaptive management, continuously monitor the success of the plan in achieving the vision, and continually revisit the vision and revise the plan based on information gained.

STATEMENT OF
JIM OWENS
EXECUTIVE DIRECTOR, WESTERN ANCIENT FOREST CAMPAIGN

Before the Subcommittee on Specialty Crops
and Natural Resources
Committee on Agriculture

Concerning

H.R. 4068

California Forest Ecosystems Health Act

October 6, 1994

Mr. Chairman, and Members of the Subcommittee:

My name is Jim Owens, I'm the Executive Director of the Western Ancient Forest Campaign, which represents grassroots forest activists from California, Oregon and Washington in their efforts to protect the remaining Ancient Forest ecosystems of the Pacific West. Today I am also representing the Sierra Nevada Alliance, a broad coalition of California community leaders and activist groups interested in the protection and restoration of the Sierra Nevada. The activists, groups and coalitions I represent appreciate this opportunity to comment upon H.R. 4068, the California Forest Ecosystems Health Act.

H.R. 4068 has been extensively reviewed by concerned citizens in California, and I will take this opportunity to summarize some of

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purposes only

their comments for this Subcommittee's review. I have also appended to my written testimony a letter concerning H.R. 4068 sent to Congressman Rick Lehman by Mr. John Buckley, Executive Director of the Central Sierra Environmental Resource Center in Twain Harte, California, for inclusion in the record of this Subcommittee hearing.

H.R. 4068 correctly recognizes the need to shift the Forest Service's management of federal forests from a commodities-oriented strategy to an one based on principles grounded in sound scientific findings and recommendations. The bill's stated goal of providing for an ecosystem approach to forest management is laudable; unfortunately the bill itself contains provisions that fall outside the definition and practice of ecosystem management.

H.R. 4068 is noteworthy for its recognition of the unique forest ecosystems of California's forest ecosystems, most of which I have visited or lived among during my previous life as a resident of California and the owner of an outdoor recreation store in San Francisco.

I also applaud the author of H.R. 4068 for his timely recognition of the role wildfires will play in future management scenarios developed for the forests of California, and his interest in acting proactively to address fire issues in the context of ecosystem management. As Assistant Secretary for Natural Resources and

Environment Jim Lyons stated during a hearing on Forest Health on Tuesday, October 4, our society must decide whether to address forest health and fuel management problems now, before the next cycle of wildfires, or expect to pay the cost of fighting fires in the future. Assistant Secretary Lyons used the phrase "Pay now or pay later," which I think is applicable to the forests of California.

It is heartening to read H.R. 4068's language condemning targeted outputs; for years the environmental community has pointed out the destructive effect of timber quotas, also called Annual Sale Quantities, on the viability of forest ecosystems across the nation.

I also appreciate H.R. 4068's recognition of the need to approach forest management on a landscape basis, which takes into account the habitat needs of all of the living creatures associated with forest ecosystems. And I am impressed that H.R. 4068 includes the requirement of scientifically credible monitoring standards and guidelines as part of its definition of ecosystem management. Many activists believe that the Forest Service already is required by the National Forest Management Act (NFMA) to monitor forest resources. In their view, many of the crises that have afflicted California's federal forests, such as landslides, habitat destruction and the extirpation of wildlife and aquatic species, could have been avoided by implementing and funding NFMA's monitoring requirements. This bill is a welcome affirmation of the need to incorporate monitoring in the ongoing

management of public lands

With all of that said, however, I must state for the record that the activists, groups and coalitions that I represent strongly oppose H.R. 4068, for the following reasons:

1. H.R. 4068 seeks to suspend Section 6 of the Forest and Rangeland Renewable Resources Planing Act of 1974, which provides for the development and implementation of land and resource management plans for each unit of the National Forest System, and the participation by the public in the development, review and revision of land management plans at least every fifteen years. In addition to providing for public involvement in the development of contemporary forest management plans, Section 6 of the Forest and Rangeland Renewable Resources Planning Act of 1974 details guidelines for the protection of waterways, wetlands and their water quality and fish habitat. H.R. 4068 fails to guarantee citizen involvement in forest planning from the very inception of planning documents, and also fails to adequately address the need to protect California's water and fisheries resources.

   This last failing has serious implications, given that biologists in California have consistently warned that the state's native fisheries, and their habitat,

are in grave danger. The loss of future riparian habitat, whether to logging, road construction or other forms of development, will spell certain extirpation for a number of fish stocks. I don't think that this is a path that the author of H.R. 4068, the Congress or the people of the State of California wish to pursue, nor should this bill's failings in this regard be allowed to pass out of Congress.

The ability of the public to participate in Forest Service decision-making affecting federal forests in California under H.R. 4068 is unclear. While existing federal laws guarantee citizen involvement in the development of decision-documents by Forest Service officials, H.R. 4068 fails to recognize these existing statutes, and may serve to limit public participation in agency decisions affecting public lands to an advisory role. Since there is no apparent time limit on the life of H.R. 4068's ecosystem management plans, it appears that there is no mechanism in the bill to trigger reevaluation of plans characterized by poor initial public input and review.

2. The bill specifically discards corridors or special management areas that are critical to sensitive species. California's forests currently provide habitat for sensitive terrestrial and aquatic species, including furbearers, birds and salmonids. The Forest Service has moved to protect a number of these species with special management areas and habitat corridors which are part

of management strategies specifically developed to protect key species in California's forest ecosystems. H.R. 4068 would eliminate and repudiate these preemptive efforts to prevent the further loss of unique wildlife and fish species that are part of this nation's valuable heritage of natural resources.

3. H.R. 4068 attempts to use the standard of "vigor" in judging the success of future ecosystem management plans. This is an artificial standard that fails to take into consideration the role that mature trees play in providing habitat, genetic diversity and structure to California's forests. "Vigor" is not the only, or best measure of a healthy, functioning forest ecosystem; other outputs, such as the number of salmon returning to California's streams and rivers, or the ability of forests to respond to drought, insect infestations, disease, or exposure to poor air quality surrounding urban centers, should be used in place of vigor as an ecosystem principle guiding future management of federal forests in California.

4. H.R. 4068 relies upon Adaptive Management as a tool to manage public lands under ecosystem management plans. Unfortunately, the concept of Adaptive Management, as spelled out in the Northwest Forest Plan's provision for Adaptive Management Areas in Washington, Oregon and Northern California, is an experimental concept that has not yet been tested. The

environmental community, which has seen Forest Service plans and projects adversely affected by pressure from timber communities adjacent to and reliant upon federal forests, opposes any untested concept that places more control over federal lands in the hands of those whose commercial interests in commodities available from these lands outweighs the interest of citizens across the nation, born and unborn.

Mr. Chairman, this bill is obviously the product of a significant amount of effort on the part of its author, who has a close relationship with the Sierra. It serves to broaden the dialogue regarding an issue that the 104th Congress will address, namely the definition and implementation of ecosystem management. Unfortunately, it fails to take into consideration the steps already taken by the Forest Service to depart from failed policies of the past that focused on the primacy of commodity extraction at the expense of other public values, such as pure drinking water resources, wildlife and fisheries, and recreational and aesthetic opportunities.

Today, the Forest Service is engaged in a comprehensive effort to scientifically analyze the resources of the Sierra Nevada, and develop long-range ecosystem management strategies that address a broad range of resource and development issues. Already, the agency has developed, and begun to implement, recommendations of the California Spotted Owl Report (CASPO). The California

Spotted Owl Interim Guidelines and Environmental Assessment was released in January, 1993, and the Environmental Impact Statement for the California spotted owl is still pending; the efficacy of the strategies developed by these reports, and others to be implemented by the Forest Service in the future, will not be fully evaluated for several more years.

H.R. 4068 would derail CASPO, and serve to sidetrack the scientific analysis currently being undertaken by the Forest Service. For that reason, passage of H.R. 4068 would waste the valuable time and taxpayers money that has gone into Forest Service research and analysis.

While H.R. 4068 offers a different strategy for dealing with California's federal forests, I urge this committee, and Congress, to reframe from acting on it, in the interest of allowing ongoing federal process to develop ecosystem management strategies based on sound scientific data and analysis, that can be evaluated alongside this bill, and others.

Mr. Chairman, this concludes my testimony. I look forward to responding to any questions or comments you and others on the subcommittee may have.

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March 15, 1994

To: Grey Staples/Congressman Rick Lehman
Fax: (202) 225-4273
Phone: (202) 225-8331

From: John Buckley, CSERC Executive Director

Dear Grey:

Having been in the thick of national forest timber issues for the last 14 years in the Sierra Nevada, I've watched the national forests evolve from a overwhelming bias toward timber production to the current situation where most forests are actually poised for a significant shift toward ecosystem management.

But rather than encourage that evolution, your bill blatantly ignores the scientific justification for such a shift, throws open protected areas to potential logging, and contradicts key biological protective measures now in place. It forces experimental management across entire sections of national forests, and it gives local commodity users greater consideration than other members of the public.

The environmental community will strongly oppose any such legislation, based both on biological reasons and philosophical grounds.

Key Objections:

1) We object to an emphasis on adaptive management over proven methods. The timber industry has repeatedly urged "adaptive managment" which would let them log more and avoid restrictions on cutting old growth trees. The industry prefers to try "experimental" techniques, while the scientists advocating CASPO guidelines rejected such adaptive management techniques except for very limited circumstances.

Page 4 - ADAPTIVE MANAGEMENT: Adaptive management is described in the bill as "the experimental and monitored application of scientifically derived management decisions". On pages 6 and 7, the bill requires the Secretary of Agriculture to develop plans that include adaptive management techniques.

[redacted] the use of adaptive management techniques across any [redacted] of national forest lands. The scientists convened by the CASPO [redacted] owl) study rejected adaptive management logging because such experimental methods could eliminate options for the future when there is still considerable uncertainty concerning the status of late successional species.

We urge that adaptive management be limited as described within the CASPO guidelines.

2) **The bill specifically discards corridors or special management areas that are critical to sensitive species.** On page 8, the bill sets a goal for forest conditions that are (ii) "designed in such a way as to obviate the need for corridors or special management areas to meet the needs of given species or situations;" On page 9, under (6), the bill prohibits requiring "the allocation or categorization of tracts of land for specific preselected ecosystem management results."

These two sections would eliminate "set-aside" protection for all of the sensitive species, species of concern, or other key values that have been mitigations for many destructive timber sales and development of areas that have occurred in the past.

To interfere in any way with the establishment of SOHA's, PAC's, Goshawk Territories, or furbearer territories or corridors means that logging will have access to areas that are now off-limits. Your bill will be opening the door to cutting in the remaining islands of late successional seral stage habitats---areas that are already diminished below the necessary level for many species. This wording gives loggers a foot-in-the-door to the very areas that have escaped them for decades.

Broad management across the landscape cannot take the place of setting key corridors and special areas aside for complete protection. We oppose any such intention.

3) **A similar, but even more dangerous section of this bill, would open up the entire unreserved land base to "ecosystem" logging and other commodity-oriented uses.** This would mean that roadless areas, near natural areas, riparian zones, special wildlife areas, and all the recreational lands that are now managed for distinct purposes would be thrown open to potential logging.

On page 10, "(8) Application across the entire unreserved land base" calls for such mangement, and further below, a similar requirement is described under (1)(A), "considers the entire landscape in a management unit of the National Forest System covered by a plan". **CSERC and our supporting groups vehemently object to any opening up of any remaining wild islands of habitat, or any wildlife emphasis areas, or any of the others areas that are now managed for other than timber values within the unreserved land base.**

4) The bill mandates greater emphasis on the desires of local interested parties than on the general public as a whole. This is just another way of acquiescing to the call for "local control" that's been the battle-cry for "Wise Use" groups for the last few years.

On pages 11 and 12, it reads: "...the Secretary shall develop the plans through the use of public involvement programs that emphasize input from residents of local communities to be affected by the plans."

This is a sell-out to industry pressure. Local community responses from those who stand to profit from more logging, or more grazing, or more development will ALWAYS be dominated by those who profit from extracting resources from the national forests. The 99% of people who actually use national forest lands and do not live locally will ALWAYS favor greater levels of protection.

We strongly oppose any emphasis on input from local residents, since this emphasis will always mean less protection of the resources than if the full range of public concerns were evaluated objectively.

5) There are numerous important sections of words within the bill that are either incorrect or show bias.

On page 2, (1) states that "recent forest management policies have often resulted in a degeneration of the forest structure and a loss of forest health and vigor". If "recent" is meant to refer to policies implemented over the last two years, this statement is incorrect. Rather than continue the past degradation and fragmentation of the forest, CASPO policies have begun to minimize habitat fragmentation and protect key resource values. The wording should be corrected or deleted.

On page 5, the definition of Ecosystem Management is somehow twisted to mean resource supply and demand, neither of which should be factors in managing for the health of biological systems. Biological sustainability and diversity are the goals of ecosystem management, with some levels of products resulting from such management. The demand for a product should not be a consideration.

On page 8, (D) sets a goal to "maintain the economic well-being and stability of communities in areas dependent upon national forest resources;". Such a goal is contradictory to true ecosystem management, where the longterm health of the resources is the priority, not extracting resources to keep local industries profitable. Local industries have always had fluctuating markets and boom times, long before protection of habitat began to limit timber sales. The goal should be to provide sustainable levels of products to local communities, NOT to maintain economic well-being .

Page 9, under (4), "incorporation of vegetation management techniques into the prescribed activities" is a nebulous, open-ended statement that may justify the intensive use of herbicides or other "techniques" to increase timber outputs. There's no reason for this ambiguous statement to be included.

Thank you for considering these strong objections. Respectfully,

John Buckley

John Buckley, CSERC

STATEMENT BY GRANT BUNTROCK, ADMINISTRATOR
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON GENERAL FARM COMMODITIES
U.S. HOUSE OF REPRESENTATIVES
OCTOBER 6, 1994

Mr. Chairman and Members of the Subcommittee, I am happy to be with you this morning to discuss the economic situation facing corn and soybean producers and the recent downturn in corn and soybean prices.

Feed grain and soybean prices have weakened significantly since late June, primarily because a favorable growing season has led to prospects for large 1994 corn and soybean crops. Corn prices have declined from $2.61 per bushel in June to $2.09 per bushel in September (as reported by the National Agricultural Statistics Service). Soybean prices declined from $6.72 per bushel to $5.31 per bushel during the same period.

I would like to take this opportunity to: 1) review the supply, demand, and price situation for corn and soybeans; 2) review the reasons for selecting a 7.5 percent Acreage Reduction Program for corn; and 3) discuss actions, currently under review in the Department of Agriculture, that could help support feed grain and soybean prices.

The 1994 soybean crop is shaping up to be a record for both yield and production. The U.S. average yield is forecast to reach 38.2 bushels per acre, more than half a bushel higher than the 1992 record, and over 6 bushels higher than the 1993-crop yield. The September production estimate of 2.3 billion bushels would exceed the 1979 record by 50 million bushels and will be produced on nearly 10 million fewer acres.

Current projections are for 1994-crop soybean prices to average $4.75-$5.75 per bushel, significantly below the $6.40 per bushel average price received by farmers for 1993/94, but unlikely to be low enough to trigger large Federal payments under marketing loan provisions. We expect soybean export demand to rise sharply in 1994/95, spured by large U.S. Supplies and soybean oil prices to remain strong due to the relatively tight world market situation. These market factors will likely provide some support for soybean prices in the months ahead.

The Agricultural Act of 1949, as amended, provides the Secretary with limited opportunities for taking action to support soybean prices. One action is that, if on January 1, 1995, the Secretary determines that the national average price of soybeans for the 1995/1996 marketing year would be less than 105 percent of the announced nonrecourse loan level, soybean plantings on optional flex acres (OFA) would not be permitted. In the past three years, the restriction has not been in effect, and approximately .5 million acres of soybeans have been planted on OFA. A reduction in soybean plantings of 5 million acres, if it were to occur, is normally appropriated with a 5-10 cents per bushel increase in soybean prices.

The Export Enhancement Program has been used to assist in exporting soybean oil, indirectly supporting soybean prices. Since, world vegetable oil prices remain relatively high, U.S. Soybean oil is competitive, and program activity is expected to be low. If soybean oil prices on the world market were to fall, we would be prepared to use existing program authorities to maintain our competitive position in export markets.

The 1994 corn crop is estimated to be the second highest on record. Despite low corn stocks heading into the 1994/95 marketing year, total supplies are estimated to be up

during the September through November period then rise gradually through most of the remainder of the marketing year. Corn prices are expected to average between $2.00 per bushel and $2.40 for the 1994/95 marketing year.

Deficiency payment rates for 1994-crop feed grains will likely be higher than our projected payment rates announced last January, offsetting some of the income loss from lower feed grain prices. Deficiency payment rates are currently estimated to be higher than the projected rates by about 15 cents per bushel for corn and sorghum, 5 cents per bushel for barley, and 20 cents per bushel for oats.

A bright spot on the demand side of the corn balance sheet continues to be strong domestic demand, estimated at 7.0 billion bushels, and nearly 200 million bushels above the 1992/93 record. One concern with regard to domestic demand in 1994/95 and beyond is the U.S. Court of Appeals' injunction on September 13 to stay implementation of the Environmental Protection Agency's Renewable Oxygenates Standards (ROS). If implemented, the ROS would have mandated that 15 percent of reformulated gasoline come from renewable sources such as ethanol in calendar year (CY) 1995. We continue to assume that the ROS will be implemented. We will be carefully watching the outcome of the court order as well as tracking the amount of corn used to convert into ethanol.

Corn exports for the 1994/1995 marketing year are estimated at 1,475 million bushels, up 175 million bushels from the 1993/94 level, but still the second lowest export level since 1985/86. One situation of particular interest is China, with its surging food inflation, and uncertain corn supplies. Many trade analysts are currently carrying corn export forecasts for China that are 2 to 6 million tons (75 to 200 million bushels) below USDA's estimate of 12 million tons for 1994/95. USDA has recently had a team in China

examining the corn situation. We expected to reassess China's export prospects in the Departments next supply and demand estimate report, scheduled for release on October 12.

The preliminary 1995 Feed Grain Acreage Reduction Program (ARP) percentages were announced on September 30. The acreage reduction levels are 7.5 percent for corn, and zero percent for grain sorghum, barley, and oats. Given trend yields, 7.5-percent acreage reduction level for corn is expected to drawdown ending stock levels about 150 million bushels and improve average corn prices about 5 to 10 cents per bushel compared with current estimate for 1994/95. Under a 7.5 percent ARP, net farm income is expected to be nearly $250 million higher than if a 12.5 percent ARP had been announced. The 7.5 percent ARP was recommended by several national associations. Also, fifty-six percent of the producers commenting favored a corn ARP of 7.5 percent or less. The 1995 feed grain acreage reduction percentages can be revised until November 15, if supply and demand conditions change significantly from the September estimates.

Next, I would like to discuss actions that some have suggested that could help bolster feed grain and soybean prices. These include allowing entry of 1994-crop feed grain loans into the Farmer-owned Reserve (FOR), delaying settlement of outstanding 1993-crop loans, and increasing the 1994- and 1995-crop feed grain and soybean price support rates.

First, let me discuss the FOR. The Agricultural Act of 1949, as amended, requires the Secretary to announce the terms and conditions of the 1994-crop feed grains FOR by March 15, 1995. Entry of feed grains is mandated when both of the following conditions are met: (1) the average market price for corn for the 90-day period prior to announcement is less than 120 percent of the loan rate, and (2) the estimated corn ending stocks-to-use ratio (S/U) for the current marketing year is greater than 22.5 percent. Entry is discretionary

(S/U) for the current marketing year is greater than 22.5 percent. Entry is discretionary when only one condition is met, and no authority for permitting entry exists if neither condition is met. There is no authority to allow for grain to enter the FOR before the end of the 9-month loan period.

The price condition was met on September 12, the Secretary has the authority to announce that maturing 1994-crop feed grains loans may enter the FOR. However, opening the FOR would have limited impact on market prices. The Secretary may announce the opening of the FOR anytime before March 15, 1995.

Another option under consideration is to delay settlement of outstanding 1993-crop loans. Since the outstanding quantities of 1993 feed grain crop loans are relatively small (57 million bushels as of September 20), this action would not likely affect market prices. Also, current cash redemption values for 1993-crop loans are well below market prices. For example, in the case of corn, the cash redemption value is $1.77 per bushel compared with cash prices of around $1.95 per bushel.

Lastly, I would like to talk about price support rates. The 1994 feed grain price support rates were increased 17 cents for corn and grain sorghum, 14 cents for barley, and 9 cents for oats above 1993 levels. These rates were announced in February of this year. Currently, cash quotes for corn are near the 1994 county price support rates in some locations of the Cornbelt. Cash quotes for soybeans are about 40 cents per bushel above the county price support rates. Generally, one would expect corn and soybean prices to reach seasonal lows during the harvest period (September through November). Large program outlays could occur if corn and soybean prices fall below the price support rates for extended periods. As of September 20, no marketing loan benefits have been earned.

statute, oilseed price support rates must be announced by November 15. There is no statutory deadline for announcing feed grain price support rates. However, this year the decision on support rates will likely be made in an environment in which cash prices are near the price support rates and the potential for large marketing loan outlay looms. For corn, each one cent exposure to marketing loan gains/loan deficiency payments potentially increases program outlays by about $80 million. For soybeans, the current midpoint of the estimated range of the season-average price for the 1994/95 marketing year is $5.25 per bushel, but, normal seasonal and spatial price variation could cause prices to dip below the $4.92 loan level for a short period of time in some areas. For soybeans, each one cent exposure to marketing loan gains/loan deficiency payments potentially increases program outlays by about $23 million. The potential for large marketing loan outlays could influence the 1995 Farm Bill discussions, which will provide an opportunity to review the methods for determining price support rates as well as other program provisions.

In summary, immediate actions that can be taken to support market prices for feed grains and soybeans are very limited. However, we believe the recently announced preliminary 1995-crop feed grain ARP's will help strengthen market prices, and we are also considering other actions that should lend support to feed grain and soybean prices. This completes my statement, Mr. Chairman, and I will be happy to respond to questions.

STATEMENT OF
TERRY BARLIN GORTON, ASSISTANT SECRETARY FOR
FORESTRY AND RURAL ECONOMIC DEVELOPMENT
CALIFORNIA RESOURCES AGENCY

Before the
Specialty Crops and Natural Resources
Subcommittee of the
House Agriculture Committee

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am Terry Barlin Gorton, Assistant Secretary for Forestry and Rural Economic Development for the California Resources Agency. We appreciate the opportunity to express our views on H.R. 4068, "The California Forest Ecosystems Health Act."

On behalf of the Resources Agency of California, I would like to commend the effort reflected in the California Forest Ecosystems Health Act. After reviewing the Act, the Resources Agency also commends the initiative taken by the California forest industry in supporting the Act's development.

The Resources Agency of California finds great merit in advancing the application of ecosystem management in California. The designation of a range of forest conditions as a management goal represents a major advance toward ecosystem management. We can no longer focus on individual species or isolated resources in developing long-term management strategies for our wildlands. This bill provides a beginning opportunity to agree on a set of criteria that can be used in setting forth those long-term objectives. We need an inclusive program in California where diverse lands and needs require rethinking solutions to resource problems that cut across political boundaries.

In some parts of California it will be difficult to implement ecosystem management on U.S. Forest Service lands alone. Many of the important ecological functions on California forestlands - fire, habitat use by wildlife species, water flow through streams - involve large areas of land. Where National Forests constitute large, contiguous blocks, the U.S. Forest Service may be able to implement ecosystem management largely on its own. Recent preliminary analysis by the California Fire Strategy Committee shows that perhaps less than half of the US. Forest Service land in California could be managed in that way. However, even in these areas, some functions, such as the movement of anadromous fish from the sea to spawning areas, require the participation of other landowners and agencies in planning efforts. Where private and U.S. Forest Service lands are co-mingled, functions such as fire and habitat use by wide-ranging wildlife species will require considerable collaboration between the U.S. Forest Service and other landowners if ecosystem management is to succeed.

In order to implement ecosystem management successfully, monitoring across ownership boundaries must be strengthened . The initial designation of a desired range of forest conditions should be seen as an initial best estimate based on current ecological and social understanding. That estimate may in fact overlook critical biological or social concerns. Monitoring of biological and social systems will highlight such oversights or surprises and allow for a correction in management as a matter of course, rather than as a matter of crisis, as has too frequently been the case heretofore.

The biological and social linkage of lands across ownership boundaries requires a high degree of public participation in ecosystem management planning. The Resources Agency has supported the development of bioregional councils and watershed groups by which stakeholders are empowered to deal with ecosystem issues in their local or regional areas. These citizen groups provide the U.S. Forest Service with an ideal means by which to develop ecosystem management plans that meet the biological and social criteria of ecosystem management and create a constituency for their implementation.

The Resources Agency supports the California Forest Ecosystems Health Act and looks forward to participating with the U.S. Forest Service in its implementation. Thank you for your consideration of these comments.

Testimony of
Keith Heard, Executive Vice President
National Corn Growers Association

to the Subcommittee on General Farm Commodities
Committee on Agriculture
U.S. House of Representatives

October 6, 1994

The National Corn Growers Association (NCGA) appreciates this opportunity to discuss the economic outlook for corn farmers and to suggest changes to the feed grains program that can improve the profitability of corn production. My name is Keith Heard. I am the Executive Vice President of NCGA and represent the more than 28,000 members of the National Corn Growers Association.

The 1994 corn crop is expected to rival the 1992 crop in size. The anticipated harvest -- well in excess of 9 billion bushels -- has caused a precipitous drop in corn prices from levels above $2.60 per bushel through June of this year to the estimated September price of $2.09. The September prices are particularly troubling because the ending corn stocks for the 1993 crop year were only 850 million bushels.

There are many who blame the low prices on the decision of the Secretary of Agriculture to establish the 1994 corn acreage reduction program (ARP) at zero. While the zero ARP is undoubtedly a factor, it is essential to point out that weather is the dominant factor in determining the size of a crop. Especially at low levels, year-to-year changes in unpaid setasides only modestly impact the size of the crop and the price of corn. An ARP that is too high will discourage program participation. In 1992, when the ARP was 5 percent, the total acres planted to corn exceeded the number of acres planted this year. One reason for this seeming contradiction is that the 5 percent ARP and relatively high corn prices during spring planting prompted many farmers to stay out of the program in 1992. Producers not in the program were able to increase acreage planted to the program crop. So rather than limiting production, an ARP that is too large can actually lead to base building and increased production.

This is not to suggest that the acreage reduction program is unimportant. In comments filed with the U.S. Department of Agriculture, NCGA recommended that the ARP for the 1995 corn crop be set at 7.5 percent based on September estimates of 1994 production and anticipated demand for the 1994 and 1995 marketing years. However, given the inherent limitations of ARP, future policy should focus less on acreage reduction and more on providing farmers the necessary tools to maximize profit. These tools include crop insurance to help producers manage financial risk, greater flexibility for program participants, an improved marketing loan and Farmer Owned Reserve, expanding markets from trade reform and from new, industrial uses within the United States, and a regulatory climate that avoids burdensome restrictions and paperwork.

NCGA applauds the hard work of the agriculture committees and the Federal Crop Insurance Corporation in completing crop insurance reform. This legislation will lower crop insurance premiums, which should mean that more farmers will avail themselves of the protection offered by crop insurance. One of the important advantages for insured producers is the ability to price a crop when market opportunities occur even though the crop has not yet been produced. Farmers with a sound marketing strategy can avoid low prices at harvest.

At a subcommittee hearing earlier this year, Pete Wenstrand testified on behalf of NCGA that we were evaluating the concept of normal crop acreage. Such a program would enable producers to plant the appropriate combination of program crops, oilseeds, alfalfa and forage given market expectations and agronomic and environmental considerations. While NCGA has not endorsed a "normal crop" or "whole farm base" concept, we are convinced that in most instances farmers are in the best position to evaluate the choices for their farming operation. Undoubtedly, there will be occasions when individuals miss marketing opportunities or when weather causes an unexpectedly large or small crop, but farmers would make the planting decisions that will maximize profit on their farms.

The loan program is intended to bolster harvest prices by removing grain from the market. If current corn prices are to improve in the near term, it will be necessary for program participants to store much of the 1994 harvest. The loan rate for 1994 corn is higher than it has been since 1986, which should encourage corn loans and allow farmers to hold grain until prices improve. However, if prices do not stabilize and decline further, farmers will be able to realize marketing loan gains as income protection against prices below their county loan rate.

Although the loan rate is higher than in recent years, it is still too low. Congress established a minimum loan rate at 85 percent of a 5-year average price. However, the law also provides for reductions from the minimum loan rate to avoid accumulation of stocks and to retain market share and to retain a competitive market position. At the time Congress passed the additional provisions to lower the loan rates, Congress anticipated that the marketing loan provisions for grain would not be implemented. But the 1990 budget act included a mandatory marketing loan for wheat and feed grains, if multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) were not completed by June 30, 1992. Since the negotiators did not meet this deadline, wheat and feed grains have had a marketing loan since 1993. The provisions for lowering the basic loan rate should not apply to marketing loans since a properly implemented marketing loan will not result in the accumulation of stocks and will ensure that U.S. grain remains competitive.

The 1995 farm bill should require continuation of marketing loans for wheat and feed grains and should establish a minimum national loan rate that cannot be reduced below 85 percent of the 5-year average price.

The Farmer Owned Reserve is another example of a program that was included in the 1990 farm bill with the expectation that marketing loans would not be available for grains. Since the Secretary is not required to announce the terms and conditions of the corn reserve until March 15 of the year following harvest, farmers are placed in the difficult position of having to decide between loans, loan deficiency payments and potential opening of the reserve without knowing the full extent of those options. The Secretary of Agriculture must announce his decision on the Farmer Owned Reserve immediately. The Secretary has been limited by the statutory requirement that the average market price of corn be below $2.27 for 90 days, and the Secretary can only announce that the program will be available when nine-month loans mature, but this is important information for producers and must be announced as soon as possible. The restrictive nature of the FOR precludes the Secretary from responding to the legitimate concerns of producers who face corn prices well below the FOR trigger. Revision of the Farmer Owned Reserve should be a priority for the 1995 farm bill.

The United States is the largest producer of corn in the world, but this world predominance does not assure profitability for U.S. producers. We must compete in foreign and domestic markets with other grains that can be readily substituted for corn in livestock rations and we must overcome trade barriers that have the effect of keeping U.S. corn out of some markets. European Union export policies have the effect of cheapening the value of wheat which has displaced corn in several important markets. The Uruguay Round of GATT represents the first step in reducing these export subsidies which should make corn more competitive in world markets. The North American Free Trade Agreement included specific quotas for exports of corn to Mexico. Strong, consistent demand for exports of bulk commodities and value-added products will do much to improve grain prices even when we have a bumper crop.

Domestic feed demand remains the most important market for U.S. corn, but food and industrial uses have increased steadily over the past two years. We expect feed demand to increase with enhanced world trade in meat and meat products. Demand for food and industrial uses will continue to grow as new products that replace fossil fuels with renewable energy sources are developed and brought into widespread commercial use.

Federal policy should eliminate impediments to sound agricultural practices, such as crop rotations, and should encourage farmers to conserve our natural resource base through research, education, and voluntary, incentive-based environmental and conservation programs. At the same time, policy makers must recognize the adverse economic impact of regulations on producers. The limited flexibility of the current program does not allow farmers to respond to the changes in farming that have taken place over the last decade. The 1995 farm bill should be designed to give producers the freedom to manage their farms in the manner that will best achieve the goals of profitability and environmental responsibility.

Thank you for holding this hearing and for considering the concerns of the National Corn Growers Association.

S I E R R A C L U B
NORTHERN CALIFORNIA-NEVADA HAWAII FIELD OFFICE

October 20, 1994

Statement of Frannie Hoover, Sierra Club California/Nevada/Hawaii Representative, for the record of the October 6, 1994 U. S. House of Representatives' Agriculture Committee's hearing on H.R. 4068, the California Forest Ecosystems Health Act

Thank you for this opportunity to submit a statement into the hearing record on H.R. 4068, the California Forest Ecosystems Health Act introduced by Representative Rick Lehman.

The Sierra Club does not support H.R. 4068. This bill would completely change the management of national forests in U.S. Forest Service Region 5 (California) over a five-year period, between 1995 and 2000. It would seriously turn back existing efforts to restore the ecological health of California's national forests and set a terrible precedent nationwide for exemptions from existing laws protecting forests and wildlife.

Under this legislation, the U.S. Forest Service would be directed to create "ecosystem management plans" that would have as a goal "restoring the health and vigor" of national forest lands in California. The bill would require the Forest Service to apply "adaptive management," which is defined as experimental techniques, to all California national forests. Only areas which have received special Congressional designations prior to passage of this legislation, such as wilderness, wild rivers, and Special Management Areas would be exempt from this new form of management.

The bill would override the Forest and Rangelands Renewable Resources Act of 1974, the National Forest Management Act of 1976, all existing standards and guidelines, and other laws such as the Endangered Species Act (by limiting how species could be protected).

The bill identifies several overarching concerns to be addressed through "adaptive management." One is the belief that fires classified as "intense" are increasing and, without changes (according to Rep. Lehman's press release accompanying introduction) "it is all going to burn up and there will be no forests, no habitat, no fish and no wildlife." Another is the desire to increase the "health" of stands of timber, which appears to be an open door to massive amounts of salvage sales, which are not the appropriate way to deal with fuel loading problems. The bill specifically requires the Forest Service to "maintain the sustainable economic well-being and stability of communities in areas dependent upon national forest resources." And it specifically prohibits establishment of any kind of special management areas (reserves),

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corridors, or other units designed for species protection. Instead it would seek to protect species through creating a "mosaic" of stand ages across the landscape.

The bill would override the Administration's plan to protect northern spotted owls and ancient forests (Option 9) on northern California forests because it prohibits reserves and corridors. It would eliminate California spotted owl protections (CASPO) in the Sierra Nevada. It would eliminate protections for giant Sequoia groves established in the Sequoia National Forest Mediated Settlement Agreement and by Presidential proclamation. These changes are all completely unacceptable and would decimate existing efforts to protect forests and wildlife.

The bill would remove all region-wide standards and guidelines and instead would allow the Forest Service great flexibility to set up experimental goals and procedures essentially wherever it deems fit.

Overall, the ecosystem management plans must consider the entire landscape (i.e., open it all up for manipulation and timber cutting) and benefit both renewable resources (i.e., trees) and the "human resource in or dependent upon the management unit."

The bill gives greater emphasis to local residents' input on management than to the public as a whole, "through the use of public involvement programs that emphasize input from residents of local communities to be affected by the plans." This approach leaves out the concerns of environmentalists and other citizens who do not live in communities in or near the forest. It will leave private citizens at a disadvantage because local volunteer citizens do not have the resources or the daytime hours to devote to these kinds of meetings that the timber industry and other commercial interests do.

H.R. 4068 is premature and conflicts directly with known recommendations of distinguished scientists. It predates the scientific findings of the Forest Service's comprehensive Sierra Nevada Ecosystem Project (SNEP) study and is thus putting the cart before the horse. In addition, the bill is non-scientific because it prescribes one approach to preserving the forests while barring others. Although it is supposedly based on science, allowing adaptations in management based on new knowledge that comes from experimentation, the experiments will be flawed from the beginning because they do not allow use of a control group --i.e., leave some of the forest alone.

The bill would make forest management completely experimental. While it requires that monitoring be done, it allows full experimentation across the landscape, without existing protections of law. There is no provision for long-term preservation of existing ecosystems. It also disallows some of the

best known approaches for preserving ancient forest ecosystems and species--reserves and corridors where little or no human manipulation occurs.

The bill inappropriately emphasizes local community input, upsetting the historic balance that equally weighs input from all sectors of the American public. It also continues local communities' overdependence on a single commodity resource, and does nothing to help improve community stability through economic diversification.

Perhaps most alarming of all, this bill creates a completely separate management regime for an entire region of the country's national forests--an untested and experimental approach that would make California's national forests the guinea pigs of the National Forest System. If major revamping of national forest management is to be done, it must be done on a national basis and with the input of all relevant interest groups and Members of Congress.

Thank you for this opportunity to share the Sierra Club's views on this bill.

National Grain and Feed Association

Statement of the National Grain and Feed Association before the Subcommittee on General Farm Commodities Committee on Agriculture U.S. House of Representatives

October 6, 1994

Mr. Chairman and members of the subcommittee, my name is Kendell W. Keith. I am president of the National Grain and Feed Association. Members of our Association include 1100 companies in the grain and feed business comprising 5,000 facilities and including country elevators, feed mills, merchandisers, grain processors, feeders and exporters. Included in our membership are some 37 state and regional grain and feed associations, representing more than 10,000 companies nationwide.

A Good Year for U.S. Agriculture

Mr. Chairman, our industry is pleased that U.S. agriculture and farmers in particular are probably headed for one of the most profitable seasons in recent memory. **Figures** 1 and 3 present the projected net revenue to producers, above variable costs, for the 1991 to 1994 U.S. corn and soybean crops, respectively.

Net revenues above variable costs to corn farmers in 1994 are expected to reach $13.3 billion, a substantial increase over the 1993 crop in which farmers were restricted by both government acreage idling programs and a flood in the midwest. Net revenues to soybean farmers are also up, and expected to be in the range of $7.5 billion.

Market prices are down somewhat. No question about it. That is the way a market is supposed to work when we have an abundant production year. But there is good news too, as markets are responding very favorably to more adequate supplies and the outlook for demand is much improved from last year. Another bit of good news is that because of the outstanding productivity, average production costs are much lower. Variable costs of corn and soybean production this year are expected to be $2.00 per bushel of soybeans and $1.09 per bushel of corn, $.32 and $.39 per bushel lower than last year, respectively. The increase in bushel output, making more bushels available for sale, coupled with the decreased production cost, provides a substantial increase in net returns available to the farmer for covering fixed costs, management expense, family living costs and added profits.

Still, market prices are a concern to the producer. Farmers do need a price that makes farming profitable, but price is only one of the factors contributing to farm profitability. Production is extremely important too. In fact, the Iowa farmer that produced 45 bu./acre soybeans in 1992 with market prices of $6.50 will generate the same market revenue this year with a yield of 57 bu./acre at a price of $5.10.

Measuring Farm Profitability:

Profit = (Price — Cost) x Production Volume

Three market variables affect net farm income: price, production cost and volume of production. Which is most important? While the biggest concern always seems to be

FIGURE 1

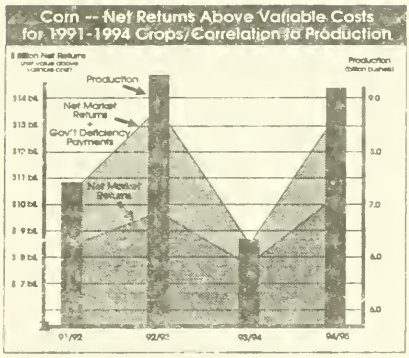


FIGURE 3

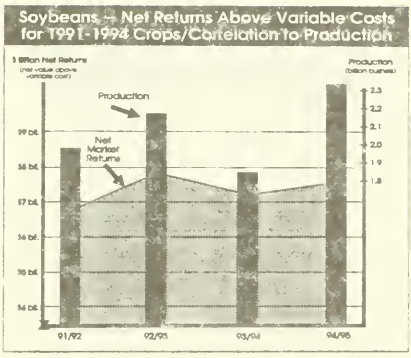


FIGURE 2

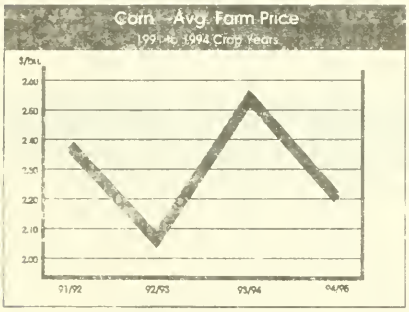
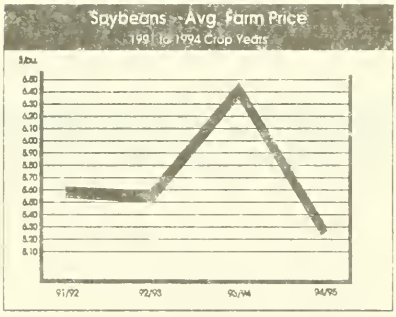


FIGURE 4



price the experience of the last four years provides strong evidence that production is more important, and, in fact, preoccupation with market price can and has led to major policy mistakes.

Figure 1 demonstrates that, by far, the most significant factor related to a positive increase in net farm income is production. In those years with high levels of production, 1992 and 1994, net revenue above variable costs was 40 percent higher than in 1991 and 1993, years of lower production. Net income from the marketplace was higher, and, interestingly, net income from government programs was also higher. (In the last four years, government payments have, in fact, seemingly added to the inter-year variability in producer returns, rather than contributing to greater stability.) Market prices have, in fact, been negatively correlated with net farm revenue in the last four years (Figures 2 and 4). This may be surprising to some, but it is consistent with the view that the U.S. does indeed compete in a global agricultural economy where prices are influenced much more by global supply/demand factors, than by our own production.

These charts (Figures 1-4) are demonstrating a very important principle: **PRODUCTION PAYS!** The market rewards production and economic efficiency. Greater output is associated with greater income, both for producers and everyone involved in the production-mar-

keting-processing chain. Viewed in this context, the administration's preliminary decision to implement a 7.5 percent ARP for 1995-crop corn makes no sense. We believe that the administration should revisit this preliminary decision, and announce a 0 percent ARP for all feed grains for 1995. This principle has extremely important policy implications as we begin discussing the 1995 farm legislation.

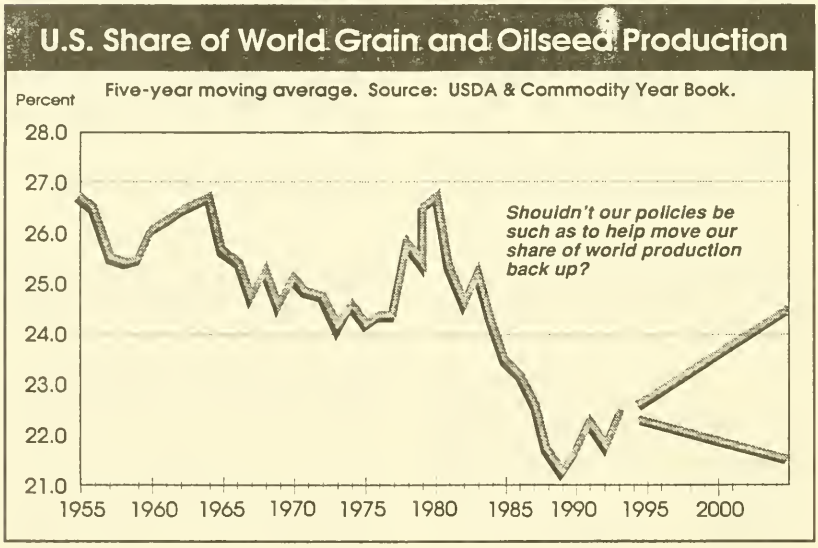
Improving Farm Profitability

How do we improve farm profitability? The U.S. has tried for decades to improve farm profitability through production constraints in an effort to boost market price. The preceding charts demonstrate the recent unproductive experiences with this strategy. The plain and simple fact is: it hasn't worked. In fact, supply controls have had the opposite of their intended effects. Constraining output in this more open global economy, while other countries continue to produce full tilt, has led to a declining ability to earn revenues from the marketplace.

With a tunnel vision focused solely on price, the U.S. has continued outdated supply management policies very much to the detriment of everyone involved in agriculture. Some people would suggest that we have "always" idled acreage, and we have simply returned to the days similar to the production of the early 1970s, prior to the large Soviet Union grain purchases. The truth is though, the U.S. has taken an extreme position of idling huge amounts of acreage, futilely trying to raise world price levels, and we have dug ourselves into a cavernous hole. We have placed ourselves in a substantially diminished position compared with our long-term historical position as a supplier of agricultural products in world markets.

In recent years, acreage idling programs, including CRP, ARPs and 0/85, have been so heavily used that idlings once reached 20 percent of the tillable acres in the U.S. If you review where this has placed the U.S. in the order of world suppliers, it is shocking. Consistently for 30 years, between 1955 and 1985, the U.S. produced between 24% and 27% of world output of grains and soybeans. Since 1985, we have dipped sharply below this long term position, and today the U.S. is only producing about 22% of global output. (See Figure 5.)

FIGURE 5



What has this policy short-sightedness bought for the U.S.? Prices clearly have not responded. Figures 6, 7 and 8 show that despite long term declines in corn, wheat and soybean plantings, prices have also declined. The rest of the world has planted the acres that we have set-aside at prevailing prices. This has led us to conclude that the U.S. is exporting acres rather than products. In fact, though, the terminology of "exporting acres" is a misnomer. That is because, with export trade, you should rightfully expect to be compensated. There has been no compensation to U.S. agriculture or the U.S. farmer for idling acres while the rest of the world takes up the slack. No, this unilateral idling of acres can only fairly be termed a "gift" from the U.S. to the rest of the world---a new form of foreign aid.

FIGURE 6

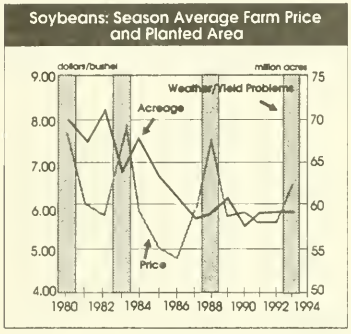


FIGURE 7

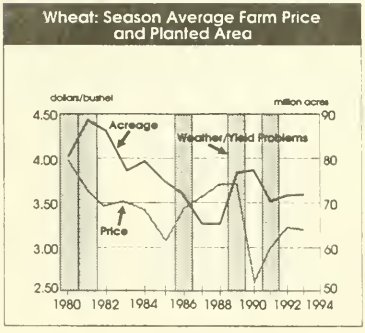
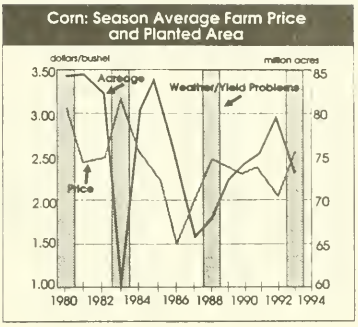


FIGURE 8



Despite the U.S.'s good intentions to make policies that are beneficial for farmers and for U.S. agriculture, we have done just the opposite. Acreage idling burts farm profitability in two ways: 1) it raises the average cost of production (fixed costs spread over fewer acres); and 2) it reduces the output that farmers have available to sell at prevailing market prices. And with the increasing openness of global markets, prices are not responding to U.S. efforts to support them with traditional supply control mechanisms.

Because history teaches that we have little if any ability to influence the direction of price, if we seriously want to improve farm profitability, we have to begin focusing on those variables over which we have some control: production volume and production cost (economic efficiency).

The Real Cost of Government Farm Programs

As we begin thinking about the debate on the 1995 farm bill, many in the farming community are deeply concerned about budget exposure. As government attempts to downsize and balance far-ranging expenditures with limited resources, farm programs are prime targets for cuts, possibly deep ones. This coming fiscal year, commodity program outlays are expected to be about $12 billion plus another $2 billion for continuing the Conservation Reserve Program.

Even though these costs are significant, they pale in comparison with the total costs to the economy of programs that force acreage idling and other misguided production constraints onto a highly productive U.S. agriculture.

Acreage idling programs are shrinking rural America. A recent study reported by the Minnesota Agricultural Economist reports that acreage idling programs have substantially eroded rural communities where farming typically contributes an average of 20 percent or more to total income. It estimates that between 1950 and 1990 acreage idling has forced an exodus of farm population of 1,150 per decade for each county. This means an average of 4,600 people from each county were forced to seek employment elsewhere by acreage retirement, and this loss was over and above the natural employment reductions associated with more efficient machinery and the substitution of capital for labor in production agriculture. The report concludes that the loss in farm output caused a loss in the demand for goods and services provided by rural nonfarm people. The loss in population caused substantial decline in the overall rural economy, and institutions serving those communities, including schools, hospitals and churches. Thus, acreage idling is credited with contributing significantly to the long-term decline in standard of living and quality of rural life.

A recent study by Abel, Daft and Earley, funded by the National Grain and Feed Foundation, estimates that by gradually expanding our use of planted acreage that is not environmentally sensitive, the U.S. could, by the year 2002, achieve the following economic gains:

- $29 billion annual increase in the national economy;
- $4 billion annual increase in net farm income; and
- create 225,000 new jobs, many in rural areas.

While the potential to add to net farm income available from the market and add a large number of jobs to rural economies is real, if the U.S. fails to affirmatively put its productive acreage back to work, production constraints become an unnecessary burden or cost to the economy of $29 billion. It is money that the U.S. will "leave on the table" by not responding rationally to market opportunities in a more open global economy. Compare the size of this indirect "cost" with the direct program cost of $12 billion.

While there is mounting concern about the government costs of farm programs, the most significant costs to the economy are not the direct cost to government, but the indirect costs created by the economic constraints imposed by government. These indirect costs are created by the structure of these programs that force producers to make irrational economic choices. Some groups worry that the U.S. should not "unilaterally disarm" in the face of "unfair" global competition. As we see it, the U.S. has already "unilaterally disarmed" by failing to more fully use its most effective economic "weapon"---the highly productive soils of the U.S. prime grain and oilseed production areas.

As farmers are being asked to farm in more environmentally sensitive ways, and pursue risk management through market-based mechanisms, there may be continued justification for government transfer payments. But the most onerous aspects of farm programs---those that force producers to reduce their productivity (and, thus, revenue potential from the marketplace) and those that force producers to be less cost-efficient to qualify for government income support programs---should be rejected.

1990s Definition: A Market-Oriented Agriculture is a Production-Oriented Agriculture

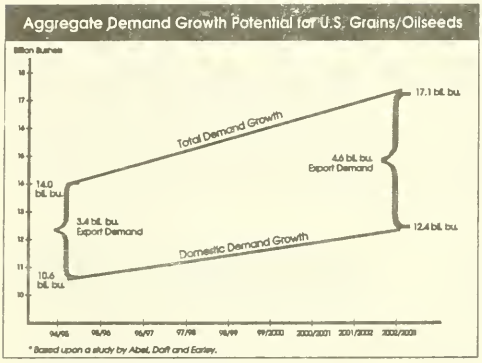
We believe there are many reasons to be highly optimistic about the prospects for U.S. agriculture:

- The NAFTA agreement should ensure strong demand from Mexico;
- The GATT agreement, if ratified, will open up additional global opportunities;
- Pacific rim countries' demand for grain, protein and meat products looks strong;
- World economic recovery should create a stronger demand base worldwide;
- Trends in domestic consumption for grain indicate the strong growth, particularly from the meat sector in the last 8-9 years, is likely to continue

In short, world markets for grains, oilseeds and related value-added products are expected to continue a steady upward trend for the foreseeable future. In the study conducted by Abel, Daft and Earley for the National Grain and Feed Foundation, projected demand for U.S. grains in the year 2002 is expected to be 17.1 billion bushels. These projections compare closely with USDA's own analysis of demand potential after GATT. This

projected demand is based upon a continuation of the current trends in domestic grain utilization plus only a modest recovery in the export of bulk commodities. (See Figure 9.) In fact the study suggests that the U.S. is highly unlikely to ever recover its one-time preeminent position in dominating global bulk grain export markets, even if the U.S. makes a strong commitment to put more acres into production.

FIGURE 9



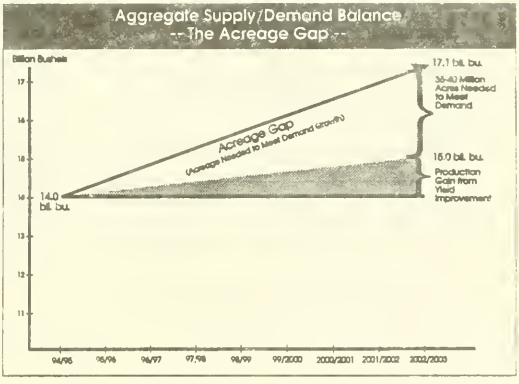
Importantly, though, to meet this demand level in the year 2002 will require putting acres back to work. Today, with normal yields, we would expect to harvest about 14 billion bushels, about the same as current demand, with 10.6 billion bushels going to domestic users and 3.4 billion moving into export channels. Aggregate crop yield growth (assuming no major technological breakthroughs) on current acreage in cultivation will result in a production growth to only 15 billion bushels by 2002. To meet the extra demand and reach the 17.1 billion bushels, will require the planting of 35 to 40 million additional acres. (See Figure 10)

How does the U.S. meet this challenge of its "**acreage gap**?" If we do nothing but maintain status quo, continuing annual ARPs, CRP and 0/85 programs, this acreage gap will never become visible. Other countries will simply expand to fill the void, just as they have for the last decade. That is, in a competitive world, no one is going to come to the U.S. and "grant" us this increase in market share. Other countries will just steadily capture this growth through plantings. But the U.S. can strategically position itself to capture a portion of the growing world demand for food by steadily increasing its acreage in production over time.

The Abel, Daft and Earley study presents strong evidence that this can be done in a way that uses only those acres that are both productive and non-environmentally sensitive. The study estimates that of the more than 50 million acres now idled, there are some 17 million acres now being idled that should be considered for longer-term conserving uses.

We submit that this strategy of **committing to increased production** should be the paramount concern in the 1995 farm legislation. In the highly competitive global economy of the 1990s, a market-oriented agriculture is a production-oriented agriculture.

FIGURE 10



What Congress Can Do to Enhance Farm Income?

Given the high level of productivity in 1994, the low cost of production and the fairly aggressive expansion in demand base, it appears that midwestern farmers will do fairly well. Congress should avoid the costly mistakes of the past, such as the unilateral raising of loan rates, or establishing reserve programs that unduly restrict the access to grain by the marketplace. Such short-term "fixes" have proven highly counterproductive in the past. As a case study, we attach to this testimony two brief papers we authored in 1993. These documents testify why such "solutions" do not work and how the raising of loan rates in the early 1980s reduced our export markets for whole grains by almost 50 percent over a period of four years. And even though we now have "marketing loans," high loan rates create added budget exposure which ultimately has to be controlled by higher acreage idling.

For the longer term improvement of farm income potential, we would urge Congress to adopt program changes that give farmers the freedom and flexibility to earn expanded income from the marketplace. If we lock up land in acreage idling programs, we are not even giving U.S. markets a chance to grow and we are failing to give the U.S. farmer the opportunity to compete more aggressively and improve his own standard of living.

Looking forward to the 1995 farm legislation, a few questions about current policy seem appropriate:

1. Why should we have policies that restrict the revenue that farmers can earn from the marketplace? The 1995 corn ARP announcement of 7.5% is a perfect example. With fairly tight carryover stocks and demand beginning to grow, now is an excellent time to be sure that production is adequate to feed a growing demand. Yet, USDA just announced a 7.5% ARP for corn, presumably to restrict budgetary exposure. Yet, this policy is known to restrict market growth and reduce net farm income. With government budget cuts likely, shouldn't we develop strategies to allow market based income to grow?

   We have similar concerns about the future of the Conservation Reserve Program. Even though supply and demand projections contained in its Uruguay Round analysis indicate the need for more acres, the administration recently provided assurances about extending the CRP in the 1995 farm bill. If extended in its current form, the CRP will isolate productive acres from the global marketplace and will result in lost markets and lost income for U.S. farmers and the rest of agriculture. Any extension of CRP needs to be carefully targeted at truly environmentally sensitive acreage.

2. Why should the U.S. continue policies that impede the economic efficiency of farmers and raise average costs of production? In a highly competitive world, every industry from computers to autos to agriculture has to take every action possible to lower costs and produce efficiently. Market share and economic growth will come to those that are most efficient.

3. If U.S. supply management efforts can no longer control market prices, shouldn't we focus our policies at those profit-related variables over which we do have control, i.e. production volume and production cost?

4. If the U.S. government is going to continue funding farm programs, why shouldn't these programs be reshaped to encourage broad-based growth in agriculture and create more jobs, rather than be an impediment to growth in the national economy? There are 21 million people employed in agriculture, food, agribusiness and related industries. Pro-growth policies, focused on greater output, could contribute significantly to growth in both gross domestic product (GDP) and national employment.

5. And, why should the U.S. continue to support policies that lead to substantial declines in the quality of life and standard of living for those in rural communities?

Thank you for the opportunity to testify. I would be happy to respond to questions.

U.S. AGRICULTURE 20/20

U.S. AGRICULTURE 20/20

Volume 1, Number 2, April 30, 1993

Loan Rates and ARPS -- Flip Sides of the Same Policy?

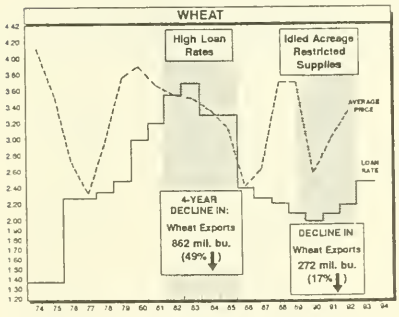
(This is the second in a series of briefings prepared by the National Grain and Feed Association on policies important to economic growth and prosperity for U.S. agriculture. New editions will arrive every two to three days during budget reconciliation.)

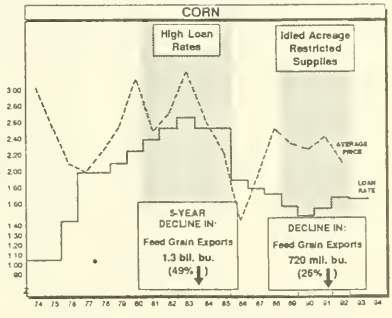
Nonrecourse loan rates and acreage reduction programs -- two mainstays of U.S. farm policy since the early 1930s. Their intent has been to help farmers. But too often, they've done just the opposite.

■ **Loan rates** are intended to give farmers credit. But they can unilaterally set a government-minimum price. If they're out of whack with market prices, U.S. grain is stored, not shipped. Where do our foreign customers go? Where the price is right -- overseas to foreign farmers eager to undercut our prices and take our markets!

That's exactly what happened in the early 1980s. High loan rates caused export demand for both U.S. wheat and feed grains to plummet a whopping 49 percent in just four years! The net result? The United States forfeited 5.3 billion bushels of corn sales and 2.5 billion bushels of wheat.

■ **Acreage idling** unilaterally restricts supplies. U.S. grain needed by the domestic and export market is never grown. The effect is the same -- customers head to foreign shores to buy grain from farmers only too eager to clear land and grow what U.S. farmers



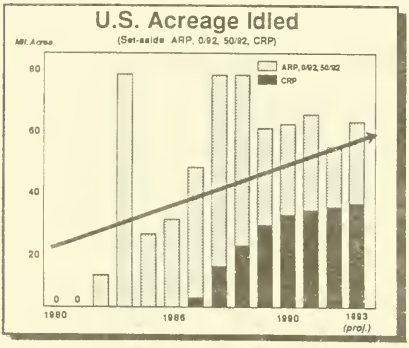


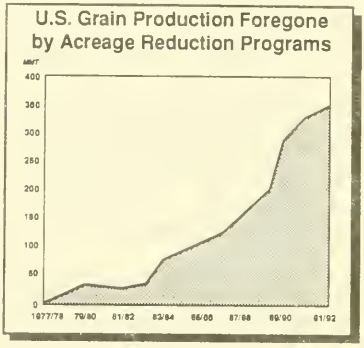
1201 New York Ave., N.W., Suite 830, Washington, D.C. 20005-3917, (202) 289-0873 Fax (202) 289-5388

aren't allowed to by government policies. The United States now idles about 60 million acres -- much of it prime farmland -- through ARPs, CRP and 0/92. We're the only country in the world that idles significant acreage.

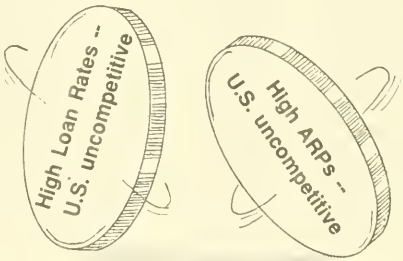
What happens when we idle productive farmland? We forfeit sales! After the 1985 farm act, large government stocks (forfeited during the period of high loan rates) and a generic certificate program temporarily ensured that U.S. supplies and prices would stay competitive. For a couple of years, markets recovered.

But look what's happened since 1989, once those government stocks were sold! Wheat exports have shrunk 17 percent while feed grain exports have declined 26 percent -- largely because of short supplies caused by acreage idling.





So when you look at it, excessive loan rates and acreage idling really are the flip sides of the same policy. High loan rates restrict supplies available to the market at competitive prices. Acreage idling restricts the supplies we have to sell.



That's a lose-lose for America's farmers and agribusinesses!

Next: Is Now the Time to Pull the Rug Out from U.S. Farmers?

U.S. AGRICULTURE 20/20

U.S. AGRICULTURE 20/20

Volume 1, Number 9, May 27, 1993

The Long Tails of Short-Term Policies

(This is the ninth in a series of briefings prepared by the National Grain and Feed Association on policies important to economic growth and prosperity for U.S. agriculture. New editions will arrive every two to three days during budget reconciliation.)

Curious thing about short-term, stop-gap policies.

They tend to provide temporary relief and can make the intended beneficiaries of those policies feel good...for a while. But inevitably, they have a way of coming back to sting you.

Take U.S. agricultural policy. The goal has been to stabilize and support the income of U.S. farmers by protecting them from the vagaries of a cyclical marketplace. In so doing, there's been a tendency to rely on short-term, stop-gap solutions to minimize the adverse effects of market adjustments.

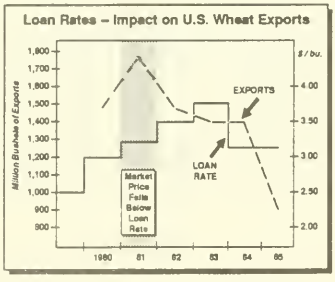
But over the long term, those short-term policies have boomeranged -- worsening the very problems they were trying to solve.

Let's look at just a couple of examples:

■ **Loan Rates:** In the early 1980s, the United States began increasing loan rates for wheat and feed grains in an honest effort to support farm prices.

But the policy backfired. The Soviet grain embargo sent prices on a downward spiral. And by 1981, the higher loan rates and declining prices for wheat converged to the same level. U.S. wheat began to be forfeited to the Commodity Credit Corporation by farmers under the price support program. It accumulated in storage, rather than being sold at the lower market prices. It didn't take long for our foreign customers to figure out there were plenty of other places in the world willing and able to grow and sell grain at prices lower than the U.S. loan rate.

The painful "long tail" of this policy stung U.S. agriculture. By 1985, U.S. wheat exports reached their modern-era depths -- a paltry 909 million bushels -- a 49 percent drop in four short years. The same impact of high loan rates was felt in the corn market -- from a high of 2.4 billion bushels, corn exports sank to 1.2 billion bushels in 1985.



■ **Acreage Idling:** But excessive loan rates aren't the only short-term policy that short circuits long-term growth of healthy markets in agriculture. Excessive reliance on acreage-idling programs can -- and do -- have the same negative effect.

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Take the 1994 wheat program. USDA's analysis indicates that a 10 percent increase in the level of acreage reduction programs will cause U.S. farm prices to increase 6 percent. But the "long tail" of this policy is an 8 percent decline in net farm income and a 60 million bushel drop in the utilization of U.S. wheat in domestic and export markets.

1994 Wheat -- First-Year Impact Increase in ARP of 10%	
U.S. Farm Price	+ 6 %
Net Farm Income	— 8 %
Market Demand Lost	— 60 mil. bu.

Unfortunately the gain in price lasts only as long as it takes for foreign producers to respond. But the shrinkage in markets is cumulative -- it grows with time.

During the 1980s, successive acreage reduction programs caused us to lose 1/4 to 1/3 of our export market volume! And at the end of that decade, U.S. farm prices still were no higher relative to the rest of the world than they were in the first year.

In attempting to manage stocks, acreage-idling policies risk the "long tail" of forfeiting sales to domestic and foreign customers. Dr. Robert Paarlberg, a professor at Harvard, puts it this way: *"The principal reason for the shrinkage in U.S. market share is our bad habit of embracing unilateral production controls....Cutting production to boost commodity prices has also, over the long term, not been helpful to our farmers. Price gains are temporary; they evaporate as soon as foreign producers respond."*

When we idle productive farmland, we forfeit sales. And we lose the economic activity that grain production generates in rural communities and throughout all sectors of agriculture. After all, grain that is never grown is never planted, never fertilized, never sold, never transported, never processed, never fed and never exported.

Ouch!

Conclusion

Gary Reidel, chairman of American Soybean Association, said in the January 1993 edition of Farm Futures: *"We've been governed in the time I've been farming by a system in which the government guarantees us a certain amount per bushel if we will confine our production to some specific acreage. That's not the way to encourage the growth of our market share...We need to talk about how to use the resources we have to capture a bigger portion of the market. We have to find an alternative to increasing the setaside every time we have a big corn crop, because that strategy is simply not productive."*

Maybe this producer-leader has a point.

Maybe it's time to take a longer-term perspective; to adopt policies that, over time, offer the best real prospect for helping all sectors of U.S. agriculture grow and become more profitable. And maybe it's time to stick with them and give them a chance to work.

After all, if the short-term, stop-gap policies we've been using worked so well, why are we still discussing the need to promote rural development and improve farm income?

Next: Building a Prosperous U.S. Agriculture Requires Teamwork

STATEMENT BY KIM LARSON
IMMEDIATE PAST PRESIDENT, MINNESOTA SOYBEAN GROWERS ASSOCIATION
BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

before the

SUBCOMMITTEE ON GENERAL FARM COMMODITIES
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

October 6, 1994

Good morning, Mr. Chairman and Members of the Subcommittee. I am Kim Larson, a soybean and corn producer from Willmar, Minnesota. My county, Kandiyohi, is in the northern tier of counties in the Second Congressional District which, as Representative Minge knows, is regularly the largest soybean-producing district in the U.S. I am appearing before you today on behalf of the Minnesota Soybean Growers Association and the American Soybean Association.

I would like to commend you, Mr. Chairman, for holding this hearing as the impact of this year's large corn and record soybean harvests are reflected in the market. The soybean price at the elevator in Murdock, the nearest location buying beans in my area this week, is $4.88 per bushel. This is a reduction of $1.57 cents per bushel from the price in June. With our county loan rate at $4.76, any further pressure could trigger loan deficiency payments.

The situation for corn is similar. Corn prices in our area have fallen from $2.48 in June to $1.78 this week. With our loan rate of $1.80, payments could be significant on this year's corn crop.

Our yields will be substantially higher than last year, when we lost a major part of our soybean and corn crops to flooding. We expect soybeans to yield an average of 39 bushels per acre compared to just 22 bushels last year and an average of 33.3 bushels over the previous five-year period. Similarly, corn yields are placed at 140 bushels per acre, twice the 70 bushel yield in 1993, and significantly higher than the 110.6 bushel five-year average.

These yields reflect the severe losses caused by last year's floods. Minnesota's soybean crop this year is forecast at 218,400,000 bushels, nearly double 1993 output of 110,000,000 bushels. Our corn production is forecast at 882 million bushels, over two and one-half times the 1993 crop of 322 million bushels.

With losses so substantial, the disaster assistance provided by Congress last year was essential in keeping many farm operations viable. Disaster payments on soybean losses in Minnesota totalled $106.2 million. For corn, the total was $287.9 million. Of these amounts, over one-third of the soybean payments and nearly three-fourths of the corn payments were attributed to losses in the Second Congressional District.

Every farmer knows that it is better to have a big crop at a lower price than no crop at a high price. Still, it is extremely difficult for us to manage complex farming operations, including planning large capital investments, when we have such sharp peaks and deep valleys in our year-to-year cash flow.

I would like to comment on how the crop insurance reform plan that passed the House earlier this week and may be acted on by the Senate before adjournment, could affect producers in my area. Minnesota soybean and corn farmers have generally bought crop insurance to stabilize year-to-year income variations. The level of coverage purchased has reflected expectations that, in the event of severe crop failure, the Federal government will continue to provide ad hoc disaster assistance to offset catastrophic losses.

Under the new crop insurance program, producers have been assured by the Federal Crop Insurance Corporation that premiums on higher levels of coverage will be reduced. For soybean producers, this is an essential element in the success of the reform package. The catastrophic coverage only provides assistance when losses hit the 50 percent threshold. As a result, producers will need to purchase additional coverage for less severe but still critical losses.

Our understanding from FCIC is that premiums for the 65 percent coverage level should be about 17 percent less expensive than the current program, and that 75 percent coverage should be 8 percent cheaper. Mr. Chairman, it is vitally important that FCIC acheive these cost reductions, or crop insurance will not be an affordable risk management tool for many farmers.

I would also mention an idea under consideration by a coalition of groups in the oilseed industry to supplement the new crop insurance program with an option for farmers to place part of their annual income in a tax-deferred account similar to an IRA. Access to this fund would be restricted unless a producer's farm income fell below a percentage of average income in previous years. This plan recognizes the extreme variability of farm production and income, and would offer farmers an option for managing cash flow risk.

In addition, Mr. Chairman, the American Soybean Association and other oilseed organizations are preparing recommendations for consideration by Congress during debate on the 1995 Farm Bill. We hope to present realistic proposals on planting flexibility which reflect the interests of farmers who can grow several crops while protecting the interests of those who cannot. Finding ways to encourage growers to introduce greater flexibility in their cropping patterns is another way to deal with income variation.

Mr. Chairman, I appreciate the opportunity to appear before you today, and again thank you for holding this important hearing. I will be happy to respond to any questions you may have.

Testimony of
Larry Mitchell, Vice President of Government Relations, National Farmers Union
Economic Outlook for Corn and Soybean Farmers
Subcommittee on General Farm Commodities, Committee on Agriculture
U.S. House of Representatives
October 6, 1994

Thank you, Mr. Chairman and members of this committee. I am Larry Mitchell, vice president of government relations for the National Farmers Union (NFU). I bring greetings to you, Chairman Sarpalius, from our national president, Leland Swenson, as well as from Joe Rankin, president of the Texas Farmers Union. We appreciate that you are holding this hearing to listen to our assessment of the situation facing corn and soybean farmers..

Overview

Just one short year ago, many of this nation's farmers were plagued with floods and the destruction left in the aftermath. Today those same farmers are plagued with a flood of corn brought on by excellent weather and a zero Acreage Reduction Program (ARP)

America's family farmers have experienced an exceptional growing season, and the prospects for record or near-record harvests of corn and soybeans are mounting daily. But producers' enthusiasm over a wonderful harvest is being dampened by devastatingly low commodity prices. Yesterday morning, farmers in Mitchell, S.D., awoke to cash prices of $1.77 per bushel for corn and $4.73 per bushel, for soybeans. Farmers in central Minnesota had cash prices yesterday morning at $1.78 per bushel, for corn and $4.86 per bushel for soybeans.

Possible Remedies

Many of my friends here at this table today joined together recently to address the problems of low prices for this year's crop. Two weeks ago, NFU, the National Farmers Organization, the National Family Farm Coalition, the American Agriculture Movement, the Federation of Southern Cooperatives, the American Corn Growers Association, the Texas Corn Producers Association and the National Association of Farmer Elected Committeemen stood together and called for the following steps to be taken by both farmers and the federal government to mitigate the price crisis:

- That farmers should store newly-harvested commodities to the fullest extent possible so as to avail themselves of marketing opportunities.

- That farmers enrolled in federal farm programs make the fullest use of the Commodity Credit Corporation (CCC) loan programs, thus keeping product off the market during the typical seasonal price depression and

allowing for more orderly marketing of the large harvest when more positive market signals dictate;

- That the secretary of agriculture, with the cooperation and encouragement of Congress and other agencies of the federal government, increase commodity loan rates to at least 100 percent of the five-year average price in order to at least make the loan program a more attractive option. It is our sincere belief that such action will also improve market prices as for more than sixty years, evidence (see attachment #1) indicates an almost lock-step correlation between loan rate levels and market price levels for commodities;

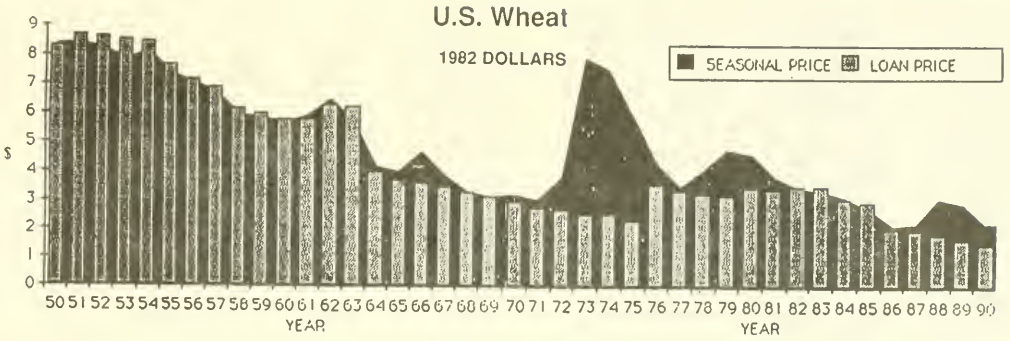
- That the secretary of agriculture make optimal use of his discretionary authority to announce well in advance, preferably as soon as possible, the opening of the Farmer Owned Reserve (FOR) for the 1994 crop under loan upon the expiration of the regular nine-month loan, allowing farmer additional marketing flexibility;

- That farm lenders display as much flexibility and discretion as possible in the coming months to allow producers to extend the marketing period in order to improve their incomes, cash-flow and credit-worthiness;

- Lastly, that the federal government investigate the growing level of concentrated contract production in livestock which has been encouraged by low grain prices. This has been a major factor in the present downturn in livestock prices.

I hope I covered the requested subjects of today's hearing. I am prepared to answer any questions to the best of my ability. National Farmers Union stands ready to help this committee in addressing of the steps outlined today as well as drafting a 1995 farm bill which protects the consumers, the environment, the taxpayers and the family farmers of this nation. We commend this committee for its foresight in having this hearing today.

Thank you.


U.S. Wheat
1982 DOLLARS
SEASONAL PRICE
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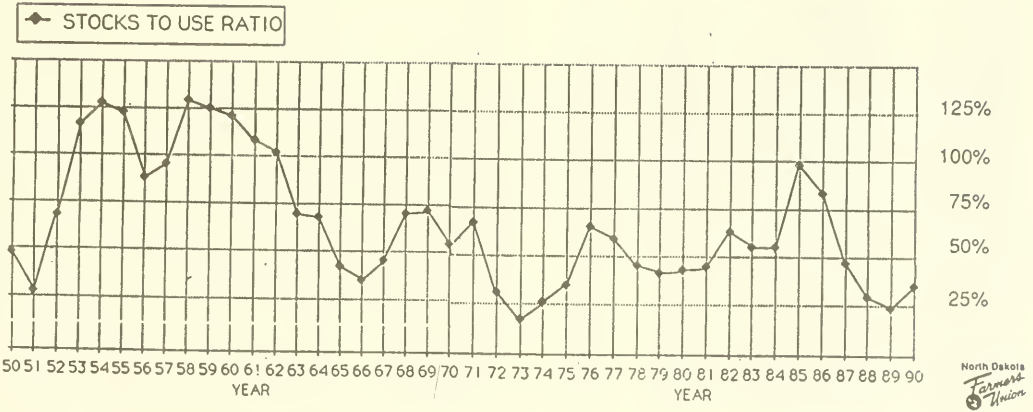
STOCKS TO USE RATIO
125%
100%
75%
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YEAR
YEAR
North Dakota Farmers Union

Prepared Statement of David Sentar, American Corn Growers Association

I am David Senter and I am here today representing the American Corn Growers Association (Corn Growers) The Corn Growers appreciate the opportunity to testify before the Subcommittee on General Farm Commodities on low corn prices and the impact of the sever flooding on producers.

It is a well known fact the adverse impacts the flooding of 1993 and 1994 have had on corn farmers. The flooding occurred after farmers had much, if not all, of their expenses in the crop. The only expense left was the harvesting and transportation costs. This expense resulted in huge looses for farmers caught in the flood areas. Producers outside the directly effected flood area had above average rain fall and reduced yields and lower quality. This year, flooding in the southeastern states hurt corn producers as hard as the midwest did in 1993.

Estimated cost to farmers exceed $425 million for corn and soybean farmers. These farmers have spend the winter and spring repairing eroded land, cleaning up trash and fixing broken levees and drainage ditches.

Farmers have had to pay the vast majority of these costs themselves. Some land clean up costs exceeded $3 200 per acre. Some of the levees still aren't fixed today. The government spent a lot of money on the disaster, but much was left for the farmers to pay.

This year producers are facing a second disaster, this time lower prices. It is clear that supply and demand no longer dictates the price of corn. In a year when this country has had the lowest corn carryover stocks on record, July futures contracts was trading in the $2.30 - $2.40 range. This resulted in a farm price of $2.20 to $2.30 per bushel. Twenty years ago was the last time stocks were as tight as this year, the average price for that year was $3 02 per bushel

If you add inflation since 1974, you can see where corn prices are. Today, in constant dollars, corn is about 25% of the value it was then. It is clear now that the market is set by looking at the projection of next years crop, not what's in the bin.

There is no meaningful way other than the CCC commodity loan rates to stabilize prices for producers. The Corn Growers have urged the Secretary of Agriculture to immediately raise loan rates to $2.40 per bushel for corn.

The loan rate of $2.40 is 25 cents less than the corn loan rate was in 1982. It would mean producers could get the additional income from the crop which will help avoid further loses to these farmers.

We also urged Secretary Espy to announce the Farmers Owned Reserve will be opened to allow producers to use the existing farm programs to stop the drop in corn prices and market in an orderly manner.

We applaud the Secretary's 7 1/2% Acreage Reduction Program for corn recently announced. This is a step in the right direction from the 0% set aside for the 1994 crop which was a mistake. Now producers are paying the price, the Corn Growers urged

the maximum set aside of 12 1/2%, for the 1995 crop year. Any decision that lowers prices ends up costing the taxpayers with larger program costs.

The Corn Growers support farm programs that are used to stabilize prices, not lower prices.

In 1985, this committee and the administration said we would see higher prices if we implemented a market oriented, competitive farm bill. We did and prices are lower now than then. Production prices are up and farm numbers down. It appears the result was to lower the price of corn for the exporters and processors.

With on average 4 out of 5 bushels used domestically, explain to me why we lowered the price on every bushel, to sell 20% to the export market. A fair price is right and the next farm bill will be judged on it.

Thank you for the opportunity to appear before this committee. We look forward to working with you to enact a 1995 farm bill that will raise farm income.

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